

**State of Montana
Office of the Legislative Auditor**

**REPORT TO THE LEGISLATURE
MONTANA STATE UNIVERSITY
MONTANA AGRICULTURAL
EXPERIMENT STATION
MONTANA COOPERATIVE
EXTENSION SERVICE**

**Financial-Compliance Audit for the
Two Fiscal Years Ended June 30, 1985**

This report contains seven recommendations for improvement of the university operations. The major items addressed in the report include:

- ▶ Compliance with state and federal laws governing hiring policies and compensation for student and non-student hourly employment.
- ▶ Compliance with reporting of unrestricted student FTEs.
- ▶ Lost interest of approximately \$50,000 due to cash management of federal funds.
- ▶ Compliance with purchasing policies.

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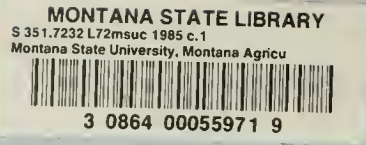
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Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant impact on the financial schedules. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office.

Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

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Office of the Legislative Auditor

MONTANA STATE UNIVERSITY
MONTANA AGRICULTURAL EXPERIMENT STATION
MONTANA COOPERATIVE EXTENSION SERVICE

Financial and Compliance Report
For the Two Fiscal Years Ended June 30, 1985

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LEGISLATIVE AUDITOR

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Montana State University, Cooperative Extension Service, and Agriculture Experiment Station financial activity for fiscal years 1983-84 and 1984-85. The university's written response to audit recommendations is included in the back of the audit report.

We thank the president and his staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Scott A. Seocat", with a large, sweeping flourish extending to the right.
Scott A. Seocat
Legislative Auditor

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APPOINTIVE AND ADMINISTRATIVE OFFICIALS

BOARD OF REGENTS OF HIGHER EDUCATION

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MONTANA STATE UNIVERSITY ADMINISTRATION

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Dr. Stuart Knapp	Vice President for Academic Affairs
Dr. James Pickett	Acting Director of Administration Until June 30, 1986
James Isch	Director of Administration Effective July 1, 1986
Dr. John Jutila	Vice President for Research
Dr. James Welsh	Director, Agricultural Experiment Station
Dr. Carl J. Hoffman	Vice President for Extension and Director, Cooperative Extension Service

SUMMARY OF RECOMMENDATIONS

This listing serves as a means of summarizing the recommendations contained in the report and the university's response to them. The major issues address problems concerning compliance with state and federal laws governing hiring policies and compensation for student and nonstudent hourly employment; compliance with reporting of unrestricted student FTEs; cash management of grant and contract funds; and compliance with purchasing policies.

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The university properly report student FTE in accordance with Regents policy.	5
University Response: Concur. See page 113.	
Commissioner of Higher Education Response: Concur. See page 116.	
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The university follow state purchasing laws and policies.	7
University Response: Concur. See page 113.	
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The university request federal moneys in a manner which will minimize the necessity for the state to advance cash to federal programs.	9
University Response: Concur. See page 113.	
<u>Recommendation #4</u>	
The university establish procedures to forecast cash needs to ensure positive cash balances are maintained in compliance with state laws.	10
University Response: Concur. See page 113.	
<u>Recommendation #5</u>	
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University Response: Concur. See page 114.	

SUMMARY OF RECOMMENDATIONS (Continued)

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University Response: Concur. See page 114.	
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The university deposit receipts on a timely basis in accordance with state law.	12
University Response: Concur. See page 114.	
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The university:	
A. Improve controls to ensure all items disposed of and all inventories are deleted from its property records.	12
University Response: Concur. See page 114.	
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INTRODUCTION

We performed a financial-compliance audit of Montana State University (MSU) and the related Cooperative Extension Service (CES) and Agricultural Experiment Station (AES) for the two fiscal years ended June 30, 1985. The objectives of the audit were to:

1. determine if the university complied with applicable laws and regulations which could have a significant effect on the financial statements;
2. determine if the financial statements present fairly the financial position and results of operations of the university for the two fiscal years ended June 30, 1985; and
3. make recommendations for improvements in the management and internal accounting controls of the university.

This report contains seven recommendations to the university. These recommendations address areas where compliance with laws and regulations, management, internal control, and financial reporting can be improved. Other areas of concern deemed not to have a significant effect on the successful operations of the university programs are not specifically included in the report, but have been discussed with management.

In accordance with section 5-13-307, MCA, we analyzed the costs of implementing the recommendations made in this report. Each report section discloses the cost, if significant, of implementing the recommendation.

BACKGROUND

Montana State University was founded on February 15, 1893, as the Agricultural College of the state of Montana, and instruction started on April 17 of that year. The school was later named Montana State College, and on July 1, 1965, it became Montana State University (MSU). The university is a land-grant institution as authorized by the Morrill Act of 1862 and receives part of its support from land-grant income, as well as state appropriations, student fees, and federal and private grants.

The public service function of the university had its origin in the establishment of the Cooperative Extension Service (CES) in 1915, created under the federal Smith-Lever Act and state legislation. Financial support for its operation comes from county, state, and federal governments, as well as from federal and private grants. County agents and specialists are an integral part of the university and channel information to Montanans to aid in solving home, farm, and community problems.

The Agricultural Experiment Station (AES) is also an integral part of the university. It was established in 1893 by the Montana Legislature under authorization provided by the federal Hatch Act of 1887. The station receives federal funds under the Hatch Act, as well as state appropriations, federal and private grants, and funds from the sale of surplus agricultural products. The Agricultural Experiment Station has eight locations in the state, excluding the Bozeman campus. The station components are devoted to solving present and future agricultural and home economics problems of local, regional, and national concern. The distribution of research centers is such that the peculiarities of local or area soil, water, and climate can be considered.

The president of Montana State University is the chief executive officer for all three units: MSU, AES, and CES. The president is responsible for the immediate direction, management, and control of the institution under the general supervision and direction of the Board of Regents.

LEGAL COMPLIANCE

We have examined the financial statements of MSU, AES, and CES for the two fiscal years ended June 30, 1985, and have issued our report thereon dated February 14, 1986. Our examination was made in accordance with generally accepted auditing standards, Standards for Audits of Governmental Organizations, Programs, Activities, and Functions, Office Management and Budget (OMB) Circulars A-21 and A-110, and the March 1984 student aid audit guide prescribed by the U.S. Department of Education. Accordingly,

we reviewed the state and federal laws and regulations applicable to the university's operations. Areas reviewed include specific state laws which could have a material impact on the university's financial operations, specific grant provisions, cost allowability, eligibility, and grantor reporting. For the items tested, except for the items discussed in the following sections of this report, we found the university complied with applicable laws and regulations. Nothing came to our attention that causes us to believe untested compliance items are not in accordance with applicable laws and regulations.

Hourly Pay Issues

As part of the regular audit process, MSU officials provide the Legislative Auditor's Office information regarding internal audits they have performed during the audit period or are currently working on. At the end of our audit, we reviewed one internal audit which dealt with issues concerning adherence to state and federal laws and Board of Regents rules governing hiring policies and compensation for student and non-student hourly employment.

The first issue addressed the legality of MSU hiring hourly employees without regard to the state pay classification plan. Board of Regents policy (Montana University System Policy and Procedures Manual, section 707), states: "The state classification system shall apply to all non-academic employees of the Montana University System not on individual Board of Regent's contracts."

The second issue addressed MSU not paying overtime for temporary hourly employees working in excess of 40 hours per week. This is a violation of state statutes and the federal Fair Labor Standards Act.

MSU personnel are currently working with the Office of the Commissioner of Higher Education to resolve the concerns addressed in the internal audit report. Personnel Services and the Financial Aid Office at MSU are in the process of developing systems which will monitor and report any individual who works in excess of 40 hours per week to ensure overtime is paid.

Due to the corrective actions MSU is currently taking to address the policy and compliance issues raised in the internal audit report, we are disclosing these compliance issues for informational purposes and make no recommendation at this time. During the next audit, we will follow up on these issues to ensure MSU adequately resolves them.

Funding Levels

Student enrollment is a factor used by the legislature when it determines state funding levels for each unit of the Montana University System. Each unit converts its enrollment figures into full-time equivalents (FTEs).

The Office of the Commissioner of Higher Education (CHE) has established policies outlined in the "Registrars' Manual for Reporting Enrollment Data" for the university units to follow in reporting enrollment information. One of the reports CHE requires is the "Summary of Restricted Enrollments and Student Classifications." The criteria for this report states that enrollments generated by restricted funds must be identified so they may be removed from the total enrollment figures utilized to generate state funding. It further states that restricted enrollments mean student credit hours generated in any course or program in which the instructor's teaching responsibilities are funded by sources outside the regular operating budget (current unrestricted) of the institution. Because MSU receives funding other than state (current unrestricted) moneys for some of its academic programs, MSU should eliminate the FTEs associated with this type of funding from the total FTE counts to properly determine state funding levels.

MSU generates a report based on quarterly statistics showing the student credit hours and associated FTE levels produced by grant and contract (restricted) funding. These restricted enrollment figures indicate the necessary reductions to total FTEs needed to be made in order to properly compute state funding. We noted that, although the Military Science program is partially federally funded, MSU does not factor out the applicable FTEs in

computing the state funded FTE levels. The FTEs associated with the Military Science program were 28.53 in fiscal year 1983-84 and 29.82 in fiscal year 1984-85. MSU reports these FTE because the instructor salaries are paid directly by the federal government and are not supported through a MSU grant and contract account. Therefore, MSU does not consider these FTE to be restricted enrollments. As defined in regents policy, Military Science FTEs clearly meet the restricted criteria and MSU should identify and remove them from enrollment figures used to generate state funding.

A university official estimated the General Fund support per FTE is approximately \$2,648 during fiscal years 1983-84 and 1984-85. Since MSU did not remove the FTEs associated with the Military Science program, MSU received a maximum of approximately \$77,255 additional funding for each of the fiscal years 1983-84 and 1984-85.

RECOMMENDATION #1

WE RECOMMEND THE UNIVERSITY REPORT STUDENT FTE IN ACCORDANCE WITH REGENTS POLICY.

Student Withdrawal Notices

Federal regulations (34 CFR Part 682) require schools to notify lenders who issue students Guaranteed Student Loan (GSL) whenever the students graduate, withdraw, or cease to be enrolled at least half-time. The notification is to be made within 60 days of the withdrawal. MSU uses the Student Confirmation Report (SCR), which discloses the status of GSL students, as a source for lender notification. The Student Confirmation Report is initiated by a private company contracted by the state to act as an information pool and processing facility for the Montana Guaranteed Student Loan Program. The company sends the report to MSU's financial aid office each May and October. The financial aid office sends the report to the registrar's office. The registrar's office

indicates the enrollment status of each student and sends the report back to the financial aid office. The report is sent back to the company who then uses the information to update its data base and notify applicable lenders. In those instances where notification of lenders within 60 days cannot be met via the SCR process, MSU notifies the lenders directly. In a sample of four students who met the above criteria, we found one instance where MSU did not notify the lender of the change in the student's status because MSU did not complete the SCR report for the period covering spring quarter 1984.

In order to determine the approximate number of students affected, we reviewed the SCRs for the period just prior and subsequent to the period notification was not made. The SCR for the fall of 1983 showed approximately 400 students who were not enrolled at least half-time and about 800 for the fall of 1984. Since the report for the spring of 1984 was not issued, the fall 1984 report contained the students for both spring and fall. Based on this data, we estimate lenders were not informed of 400 students who had GSLs and were less than half-time as of spring quarter 1984.

Beginning in spring quarter 1985, MSU revised its time consuming manual reporting system to an automated one. This system compares a computerized listing of students with GSLs to those students who are not registered at least half-time. A listing is generated for those students meeting the match and MSU then notifies the lenders.

After reviewing the procedures employed at MSU to update and complete the SCRs, we determined the procedures appear adequate to ensure these reports are completed and lenders are notified. Therefore, we are only disclosing the compliance issue and do not make a recommendation at this time. We will follow up on MSU's revised reporting system during the next audit and re-evaluate its adequacy to meet federal regulations and reporting requirements.

Purchasing

State law (section 18-4-221, MCA) states the Department of Administration (DofA), shall govern the procurement of all supplies and services to be procured by the state. The DofA, Purchasing Division, acts as the state's central purchasing agent. The purpose of having a centralized function is to provide state agencies with necessary supplies and materials at a reduced cost through quantity discounts and lower overhead. The Department of Administration has delegated purchasing authority to the Cooperative Extension Service Multilith Department for purchases up to \$2,000.

In our previous two audits we found the Multilith Department of the Cooperative Extension Service (CES) was not properly using Central Purchasing for paper purchases. We reviewed a sample of purchases greater than \$2,000 to ensure Multilith was complying with purchasing policies. We found that in five instances Multilith did not use Central Purchasing as required. These purchases ranged from slightly above \$2,000 to over \$17,000.

Multilith personnel explained they do not always use Central Purchasing because they believe they can usually get a better quality paper more suited to their printing needs at a lower cost and in less time than Central Purchasing can deliver. In fiscal year 1983-84, Multilith requested delegated authority for purchases up to \$30,000 from DofA. However, DofA denied this request. Because CES has an exemption only for purchases up to \$2,000, Multilith purchases greater than \$2,000 are in violation of state purchasing policies.

In addition, federally sponsored projects use Multilith services. Federal regulations (OMB Circular A-21 section C3) states that one of the factors affecting allowability of costs is that the costs claimed for federal reimbursement must be consistent with state laws and regulations.

RECOMMENDATION #2

WE RECOMMEND THE UNIVERSITY FOLLOW STATE PURCHASING LAWS AND POLICIES.

Cash Management

During fiscal year 1984-85, the university received approximately \$16 million of federal moneys for federally assisted grants, contracts, and student aid. The university receives these funds through cash requests or drawdowns. Because drawdowns are predominantly on a reimbursement basis and are requested on a monthly or longer basis, there is a time lag between an expenditure and subsequent reimbursement that is filled by using state funds. Based on our analysis of balances in federal accounts, we estimated MSU's use of state funds to cover federal cash shortfalls due to the time lag is costing the state approximately \$50,000 per year in lost interest.

According to university personnel, one of the reasons MSU needs state funds to cover federal cash shortfalls is because of the timing of drawdowns. Drawdowns are generally made during the first 10 days of the month prior to the payroll costs being paid. If MSU were to request federal funds more frequently and also at the time the payroll expenses are paid, it should help reduce the amount of state funds needed to temporarily support federal projects. MSU personnel also indicated that in the past, insufficient staff made frequent drawdowns unrealistic. Since the hiring of additional staff, it should be feasible for MSU to request more frequent drawdowns. A certain amount of time lag can be expected, however, we believe MSU could substantially reduce the time lag through more frequent drawdowns.

Federal regulations (OMB Circular A-110 Attachment F(2e)) state the recipient shall make drawdowns as close as possible to the time of making disbursements. State law (section 17-2-108, MCA), requires agencies to use non-General Fund moneys wherever possible before using General Fund moneys. These federal and state requirements advocate the use of frequent drawdowns in order to minimize lost interest on state or federal funds.

RECOMMENDATION #3

WE RECOMMEND THE UNIVERSITY REQUEST FEDERAL MON-
EYS IN A MANNER WHICH WILL MINIMIZE THE NECESSITY
FOR THE STATE TO ADVANCE CASH TO FEDERAL PRO-
GRAMS.

Inter-Entity Loans

State law (section 17-2-107(2),MCA) states that when an expenditure of an appropriation is necessary and there is an insufficient amount of cash, the Department of Administration may authorize a cash transfer (inter-entity loan) of unrestricted moneys from other accounts, provided there is reasonable evidence that income provided for the remainder of the year will be sufficient to restore the transferred amount. The loan must be repaid by the end of the fiscal year unless an extension is granted by the Department of Administration. Extensions may be granted for one additional fiscal year if the Department of Administration receives sufficient written justification that the loan is for the sole purpose of:

- a) repairing or replacing property damage covered by insurance; or
- b) payment of expenses which will later be reimbursed by certain receipts as detailed in 17-2-107(3), MCA.

In addition, section 17-2-107(6), MCA, states that no accounting entity may have a negative cash balance at fiscal year-end.

Just prior to fiscal year-end 1983-84 and 1984-85, AES and CES had negative cash balances in certain designated funds. Since this was in violation of section 17-2-107(6), MCA, and to comply with generally accepted accounting principles, MSU recorded inter-entity loans to correct the negative cash balances. However, since the loans were not in accordance with sections 17-2-107(2) and (3), MCA, the Department of Administration did not authorize

them. The Department of Administration processed the loans without giving its approval.

The problems noted with inter-entity loans are not confined to MSU. The overall issue of inter-entity loans is further addressed in the Department of Administration's report for fiscal years 1983-84 and 1984-85. The Department of Administration has acknowledged that this issue exists and intends to address, at least in part, this issue in the next legislative session. MSU should establish cash controls that will ensure compliance with state laws and accounting policies.

RECOMMENDATION #4

WE RECOMMEND THE UNIVERSITY ESTABLISH PROCEDURES TO FORECAST CASH NEEDS TO ENSURE POSITIVE CASH BALANCES ARE MAINTAINED IN COMPLIANCE WITH STATE LAWS.

Expenditure Accruals

According to state law (section 17-7-302, MCA) and accounting policies (MOM 2-1420 and Management Memo 2-85-3), agencies are allowed to accrue expenditures at fiscal year-end for any valid obligations. An agency has a valid obligation when it has requested goods or services through a valid purchase order or inter-agency or intra-agency agreement or has received those goods or services but has not yet paid for them.

We found MSU accrued \$32,600 for a deferred plant maintenance project for which MSU had not received the goods nor had a valid maintenance work order agreement been issued. Plant personnel indicated the accrual was made to use available funds for a project to replace windows in one of the campus buildings as soon as the plans were final. Since MSU did not have a valid obligation, the accrual was not valid under state accounting policies. MSU would have reverted \$32,600 of appropriation authority if this accrual had not been made.

We also found that during fiscal year 1983-84 MSU received \$132,399 of services through computer use agreements. MSU did not accrue these expenditures at fiscal year-end 1983-84. When MSU paid these expenditures, it recorded them as fiscal year 1984-85 expenditures. Since MSU had received the services, it should have accrued the expenditures.

In addition, at fiscal year-end 1983-84 CES accrued \$3,466 related to two purchases. However, CES did not receive a purchase order for these items until July of fiscal year 1984-85. Since CES did not have a valid obligation at June 30, 1984, the accrual was not valid under state accounting policies. If CES reverses these accruals, it will not cause a General Fund reversion because Chapter 710, Laws of 1983 allowed CES to carry over fiscal year 1983-84 unused appropriation balance into fiscal year 1984-85 to fund vacancy savings.

RECOMMENDATION #5

WE RECOMMEND THE UNIVERSITY:

- A. ACCRUE EXPENDITURES IN ACCORDANCE WITH STATE ACCOUNTING POLICIES.
- B. CORRECT INVALID EXPENDITURE ACCRUALS.

Cash Deposits

State law (section 17-6-105(6), MCA) requires all moneys received be deposited each day when the accumulated amount of coin and currency exceeds \$100 or total collections exceed \$500. In any event, all moneys collected shall be deposited at least weekly. During our testing we noted Multilith collections were not deposited on a timely basis. We reviewed deposits made between July 1984 and April 1985. During this time period Multilith deposited collections once or twice a month. These deposits ranged from \$207 to \$3,000. Multilith personnel indicated this occurs because of busy schedules and wanting to ensure deposits are accurate. The failure to deposit receipts on a timely basis results in lost interest on the undeposited amounts during the time period the deposits are delayed and increases possibility of loss.

RECOMMENDATION #6

WE RECOMMEND THE UNIVERSITY DEPOSIT RECEIPTS ON A TIMELY BASIS IN ACCORDANCE WITH STATE LAW.

EQUIPMENT

MSU, AES, and CES had approximately \$45.5 million of equipment recorded on its respective Net Investment in Plant Fund at June 30, 1985. During our audit, we noted the following problems:

1. MSU did not delete, from its property listing, all equipment which had been disposed of in previous years. For instance, we noted a mass spectrometer valued at \$100,000 and a Sigma computer valued at \$345,457 were still on the listing even though MSU had disposed of them. MSU should ensure all items disposed of are removed from its property listing.
2. MSU recorded service shop, chemical store, on-campus living and Multilith inventories in its property listing. MSU also recorded these inventories on the financial statements in the Current Funds. Since inventories are not fixed assets, MSU should exclude them from its property listing.
3. MSU did not tag numerous equipment items. For example, we noted many dining hall items and musical instruments were not tagged. To safeguard items, state policy requires all items over \$200 be tagged or otherwise identified as state property. MSU should ensure all items are tagged. For those items where placing tags on them is not feasible, MSU should consider alternatives, such as engraving, to identify them as state property.

RECOMMENDATION #7

WE RECOMMEND THE UNIVERSITY:

- A. IMPROVE CONTROLS TO ENSURE ALL ITEMS DISPOSED OF AND ALL INVENTORIES ARE DELETED FROM ITS PROPERTY RECORDS.
- B. ENSURE ALL STATE EQUIPMENT ITEMS ARE TAGGED AS STATE PROPERTY.

INTERNAL CONTROL

We have examined the financial statements of the Montana State University (MSU), Montana Cooperative Extension Service (CES), and Montana Agricultural Experiment Station (AES) for the two fiscal years ended June 30, 1985. We issued our opinions dated February 14, 1986, on these statements. As part of our examination, we made a study and evaluation of the system of internal control of the university. Our study evaluated the system as required by generally accepted auditing standards and Standards for Audits of Governmental Organizations, Programs, Activities, and Functions for financial and compliance audits. We classified the controls in the following categories:

1. revenue/receipts;
2. operating expenditures;
3. payroll;
4. accounts payable/interfund loans payable;
5. accounts receivable/interfund loans receivable;
6. plant, property, and equipment;
7. inventory;
8. cash;
9. contracts and grants;
10. student financial aid; and
11. investments.

Our study included the control categories listed above. Through our study, we determined the nature, timing, and extent of our auditing procedures. We applied alternative audit tests to cash, inventory, investments, accounts payable, and accounts receivable because the audit could be performed more efficiently by expanding substantive audit work. We did not evaluate the control system to the extent necessary to give an opinion on either individual segments or the system as a whole.

The management of the university is responsible for establishing and maintaining a system of accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable assurance that: 1) assets are safe-

guarded against loss from unauthorized use or disposition; 2) transactions are executed in accordance with management's authorization; and 3) transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Inherent limitations in any system of controls may cause errors or irregularities to remain undetected. The current system evaluation should not be used to project to future periods since procedures may become inadequate or compliance with them may deteriorate.

The limited purpose study described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of controls used by the university. However, our study and evaluation disclosed no conditions that we believe to be a material weakness.

The preceding four paragraphs are intended solely for the use of management and the legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of this document which, upon presentation to the Legislative Audit Committee, is a matter of public record.

PRIOR AUDIT RECOMMENDATIONS

Our last financial-compliance audit and student financial aid audit of the university for the two fiscal years ended June 30, 1983, contained ten recommendations applicable to the university. The university implemented six of the recommendations, partially implemented three of the recommendations, and did not implement one of the recommendations. The recommendations which the university partially implemented concern recording construction in progress, compliance with state law concerning surplus property, and final determinations of questioned federal costs. These recommendations were not included in the report but have been discussed with management. The recommendation which the university did not implement concerns CES purchasing and is discussed on page 7.

MONTANA STATE UNIVERSITY
AUDITOR'S OPINION AND AGENCY FINANCIAL STATEMENTS

SUMMARY OF AUDIT OPINION

The auditor's opinions issued on Montana State University, Agricultural Experiment Station and Cooperative Extension Service are intended to convey to the reader of the financial statements the degree of reliance which can be placed on the amounts presented. The reader may rely on the fairness of the amounts presented on the statements listed in paragraph one of each of the auditor's opinions on pages 15, 78, and 96, except for the specific item discussed in the auditor's opinion on page 15, when analyzing the unit's operations.

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122



SCOTT A. SEACAT
LEGISLATIVE AUDITOR

DEPUTY LEGISLATIVE AUDITORS:

JAMES GILLET
FINANCIAL-COMPLIANCE AUDITS

JIM PELLEGRINI
PERFORMANCE AUDITS

LEGAL COUNSEL:

JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the accompanying Balance Sheets of Montana State University (MSU) at June 30, 1984 and June 30, 1985, and the related Statements of Changes in Fund Balances and Current Funds Revenues, Expenditures, and Other Changes for each of the two fiscal years ended June 30, 1985. Our examination was made in accordance with generally accepted auditing standards and Standards for Audits of Governmental Organizations, Programs, Activities, and Functions and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

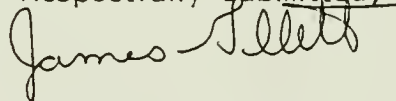
The financial statements presented are only for Montana State University. Accordingly, the accompanying financial statements are not intended to present fairly the financial position of the state of Montana as of June 30, 1984 and 1985 or the results of its operations and changes in its fund balances for the two fiscal years then ended, in conformity with generally accepted accounting principles.

The bond payable footnote did not provide adequate disclosure. Adequate footnote disclosure for bonds payable should include a summary of the interest rates and repayment amount for each of the next five years on the bonds and a combined amount due following the five year repayment.

In our opinion, except for the effects discussed in paragraph three, the financial statements referred to above present fairly the financial position of Montana State University as of June 30, 1984 and June 30, 1985, the changes in its fund balances, and the current funds revenues, expenditures, and other changes for each of the two years then ended in conformity with generally accepted accounting principles which have been applied on a consistent basis.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedules of Grant Expenditures for fiscal years ended June 30, 1984 and 1985, and the Schedule of Full-Time Equivalent (FTE) Students for the two years ending June 30, 1985 prepared in accordance with the U.S. Department of Education, U.S. Department of Health and Human Services, and the Registrar's Manual for Reporting Enrollment Data reporting requirements are presented as supplemental information and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our examination of the basic financial statements. In our opinion, except for the effects of the matter discussed in paragraph three, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Gillett", written over a horizontal line.

James Gillett, CPA
Deputy Legislative Auditor

February 14, 1986

MONTANA STATE UNIVERSITY
BALANCE SHEETS
Year Ended June 30, 1985

ASSETS

CURRENT FUNDS:

Unrestricted:

General operating:

Cash	\$ 1,513,739
Accounts receivable	865,956
Due from other fund groups	2,427,761

Total general operating	<u>4,807,456</u>
-------------------------	------------------

Designated:

Cash	123,928
Accounts receivable	277,278
Due from other fund groups	609,871
Investments (Note 3)	225,255
Inventories	503,479
Total designated	<u>1,739,811</u>

Auxiliary enterprises:

Cash	421,493
Accounts receivable	68,362
Due from other fund groups	16,944
Investments (Note 3)	1,561,081
Inventories	460,056

Total auxiliary enterprises	<u>2,527,936</u>
-----------------------------	------------------

Total unrestricted	<u>9,075,203</u>
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Restricted:

Cash	625,529
Accounts receivable	1,049,632
Due from other fund groups	12,691
Investments (Note 3)	640,950

Total restricted	<u>2,328,802</u>
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Total current funds	<u>\$11,404,005</u>
---------------------	---------------------

STUDENT LOAN FUNDS:

Cash	\$ 112,840
Loans receivable - less allowance for bad debts \$327,902	7,869,646
Accounts receivable	390

Total student loan funds	<u>\$ 7,982,876</u>
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See notes to financial statements

LIABILITIES AND FUND BALANCES

CURRENT FUNDS:

Unrestricted:

General operating:

Accrued payroll	\$ 2,536,107
Accounts payable and accrued liabilities	740,126
Due to other fund groups	931,499
Deposits	40,957
Deferred revenue	487,322
Compensated absences payable (Note 7)	3,278,410
Fund balance (Note 1)	<u>(3,206,965)</u>
Total general operating	<u>4,807,456</u>

Designated:

Accrued payroll	236,532
Accounts payable and accrued liabilities	279,737
Due to other fund groups	1,112,537
Compensated absences payable (Note 7)	245,374
Fund balance (Note 1)	<u>(134,369)</u>
Total designated	<u>1,739,811</u>

Auxiliary enterprises:

Accrued payroll	255,633
Accounts payable and accrued liabilities	166,249
Deposits	248,506
Deferred revenue	41,514
Due to other fund groups	247,461
Compensated absences payable (Note 7)	301,313
Fund balance	<u>1,267,260</u>
Total auxiliary enterprises	<u>2,527,936</u>

Total unrestricted	<u>9,075,203</u>
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Restricted:

Accrued payroll	309,444
Accounts payable and accrued liabilities	2,026
Due to other fund groups	1,359,080
Compensated absences payable (Note 7)	252,723
Fund balance	<u>405,529</u>
Total restricted	<u>2,328,802</u>

Total current funds	<u>\$11,404,005</u>
---------------------	---------------------

STUDENT LOAN FUNDS:

Accounts payable and accrued liabilities	\$ 5,427
Fund balances:	
U.S. Government grants refundable	\$7,094,974
University funds	788,330
Private gifts	<u>94,145</u>
	7,977,449
Total student loan funds	<u>\$ 7,982,876</u>

MONTANA STATE UNIVERSITY
BALANCE SHEETS
Year Ended June 30, 1985

ASSETS

ENDOWMENT FUNDS:

Cash	\$ 13,789
Investments (Note 3)	<u>560,095</u>
Total endowment funds	<u>\$ 573,884</u>

PLANT FUNDS:

Unexpended:	
Cash	\$ 242,272
Accounts receivable	406,864
Investments (Note 3)	11,322,330
Construction advances to state	<u>140,848</u>
Total unexpended	<u>12,112,314</u>

Renewals and replacements:

Cash	27,527
Accounts receivable	2,566
Due from other fund groups	275,000
Investments (Note 3)	<u>257,592</u>
Total renewals and replacements	<u>562,685</u>

Retirement of indebtedness:

Cash	138,023
Accounts receivable	135,518
Investments (Note 3)	<u>4,653,623</u>
Total retirement of indebtedness	<u>4,927,164</u>

Investment in plant:

Land and land improvements	2,431,358
Buildings (including construction in progress)	81,600,562
Equipment	40,077,758
Livestock	<u>62,075</u>
Total investment in plant	<u>124,171,753</u>

Total plant funds	<u>\$141,773,916</u>
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AGENCY FUNDS:

Cash	\$ 398,150
Accounts receivable	134,804
Due from other fund groups	626,939
Investments (Note 3)	<u>428,595</u>

Total agency funds	<u>\$ 1,588,488</u>
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See notes to financial statements

LIABILITIES AND FUND BALANCES

ENDOWMENT FUNDS:

Fund balance	\$ 573,884
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Total endowment funds	<u>\$ 573,884</u>
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PLANT FUNDS:

Unexpended:

Accounts payable and accrued expenditures	\$ 5,594
Due to other fund groups	17,407
Bonds payable (Note 4)	10,396,328
Fund balance	1,692,985

Total unexpended	<u>12,112,314</u>
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Renewals and replacements:

Accounts payable and accrued expenditures	16,080
Due to other fund groups	26,132
Fund balance	520,473

Total renewals and replacements	<u>562,685</u>
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Retirement of indebtedness:

Due to other fund groups	103
Fund balance	4,927,061

Total retirement of indebtedness	<u>4,927,164</u>
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Investment in plant:

Bonds payable (Note 4)	17,633,672
Other payables	48,984
Net investment in plant	106,489,097

Total investment in plant	<u>124,171,753</u>
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Total plant funds	<u>\$141,773,916</u>
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AGENCY FUNDS:

Accrued payroll	\$ 24,263
Accounts payable and accrued liabilities	162,307
Compensated absences payable (Note 7)	2,288
Due to other fund groups	274,985
Deposits held in custody for others	<u>1,124,645</u>

Total agency funds	<u>\$ 1,588,488</u>
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MONTANA STATE UNIVERSITY
STATEMENT OF CHANGES IN FUND BALANCES
Year Ended June 30, 1985

	Current Funds			
	Unrestricted			Restricted
	General Operating	Designated	Auxiliary Enterprises	
Revenue and other additions:				
Current funds revenue	\$44,585,416	\$ 6,232,697	\$11,961,914	\$11,172,679
Federal capital contribution	-	-	-	-
University capital contribution	-	-	-	-
Private capital contribution	-	-	-	-
Interest on loans receivable	-	-	-	-
Bond indenture proceeds (Note 5)	-	-	-	-
Gain on bond defeasance (Note 5)	-	-	-	-
Student fees	-	-	-	-
Investment income	-	-	-	-
Endowment income & grants (Note 2)	-	-	-	-
Discount on bonds purchased	-	-	-	-
Debt retirement (Note 5)	-	-	-	-
Transfer of bond liability	-	-	-	-
Expended for plant facilities (including \$3,350,552 charged to current funds)	-	-	-	-
Insurance proceeds	-	-	-	-
State appropriations	-	-	-	-
Other	-	-	-	-
Total revenue and other additions	<u>44,585,416</u>	<u>6,232,697</u>	<u>11,961,914</u>	<u>11,172,679</u>
Expenditures and other deductions:				
Current funds expenditures	44,634,354	6,807,600	10,429,787	11,099,975
Loan cancellations	-	-	-	-
Refunded to grantors	-	-	-	-
Administrative expenditures	-	-	-	-
Provision for bad debts	-	-	-	-
Expended for plant facilities (Including \$425,137 non-capital expenditures)	-	-	-	-
Debt retirement (Note 5)	-	-	-	-
Interest on debt	-	-	-	-
Transfer of bond liability	-	-	-	-
Bond indenture debt (Note 5)	-	-	-	-
Other (Note 5)	-	-	-	-
Total expenditures and other deductions	<u>44,634,354</u>	<u>6,807,600</u>	<u>10,429,787</u>	<u>11,099,975</u>

See notes to financial statements

Loan Funds	Endowment and Similar Funds	Plant Funds			
		<u>Unexpended</u>	<u>Renewals and Replacements</u>	<u>Retirement of Indebtedness</u>	<u>Investment In Plant</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
121,956	-	-	-	-	-
12,471	-	-	-	-	-
635	202,809	101,663	-	-	-
112,348	-	-	-	-	-
-	-	-	-	8,108,454	-
-	-	-	-	1,370,506	-
-	-	381,734	-	1,154,934	-
12,032	-	680,837	52,732	456,414	-
-	-	-	-	297,462	-
-	-	-	-	-	-
-	-	-	-	-	9,518,295
-	-	4,732,503	-	-	-
-	-	-	-	-	7,967,002
-	-	310,085	-	-	-
-	-	628,566	-	-	-
-	583	78,543	11,561	56,742	-
<u>259,442</u>	<u>203,392</u>	<u>6,913,931</u>	<u>64,293</u>	<u>11,444,512</u>	<u>17,485,297</u>
-	-	-	-	-	-
40,375	-	-	-	-	-
-	-	-	-	-	-
55,694	-	-	-	-	-
13,696	-	-	-	-	-
-	-	4,382,733	658,854	-	-
-	-	-	-	9,518,295	-
-	-	-	-	2,113,085	-
-	-	-	-	-	4,732,503
-	-	-	-	-	8,108,454
-	-	-	-	1,269,593	-
<u>109,765</u>	<u>-</u>	<u>4,382,733</u>	<u>658,854</u>	<u>12,900,973</u>	<u>12,840,957</u>

MONTANA STATE UNIVERSITY
STATEMENT OF CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 1985

	Current Funds			
	Unrestricted			Restricted
	General Operating	Designated	Auxiliary Enterprises	
Transfer among funds - additions (deductions):				
Mandatory:				
All fund groups	\$ -	\$ -	\$ (1,277,200)	\$ -
Voluntary:				
General operating	(9,706)	-	-	-
Designated	-	(48,784)	-	-
Auxiliary enterprises-net	-	29,345	(235,016)	-
Repair and replacement-net	-	-	-	-
Retirement of debt-net	-	-	100,776	-
Total transfers	<u>(9,706)</u>	<u>(19,439)</u>	<u>(1,411,440)</u>	<u>-</u>
Net increase (decrease) in fund balance	<u>(58,644)</u>	<u>(594,342)</u>	<u>120,687</u>	<u>72,704</u>
Fund balances at beginning of year as previously reported	<u>(2,992,186)</u>	<u>555,176</u>	<u>1,209,917</u>	<u>467,911</u>
Adjustments: (Note 1 & 7)				
Prior year revenues	(17,341)	20,547	(964)	9,329
Prior year expenditures	(740)	(96,453)	(38,259)	(67,835)
Compensated absences payable	(138,054)	(8,351)	(24,121)	(7,417)
Other	-	(10,946)	-	(69,163)
Total adjustments	<u>(156,135)</u>	<u>(95,203)</u>	<u>(63,344)</u>	<u>(135,086)</u>
Fund balances at beginning of year as adjusted	<u>(3,148,321)</u>	<u>459,973</u>	<u>1,146,573</u>	<u>332,825</u>
Fund balances at end of year	<u><u>\$(3,206,965)</u></u>	<u><u>\$ (134,369)</u></u>	<u><u>\$ 1,267,260</u></u>	<u><u>\$ 405,529</u></u>

See notes to financial statements

Loan Funds	Endowment and Similar Funds	Plant Funds			
		Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
\$ -	\$ -	\$ (1,782,900)	\$ -	\$ 3,060,100	\$ -
-	-	-	-	9,706	-
-	-	48,784	-	-	-
-	-	-	205,671	-	-
-	-	177,259	(177,259)	-	-
-	-	171,433	457,783	(729,992)	-
-	-	(1,385,424)	486,195	2,339,814	-
149,677	203,392	1,145,774	(108,366)	883,353	4,644,340
7,695,791	370,492	585,463	647,579	4,043,968	101,290,337
131,491	-	91,356	-	(260)	-
490	-	(129,608)	(18,740)	-	-
-	-	-	-	-	-
-	-	-	-	-	554,420
131,981	-	(38,252)	(18,740)	(260)	554,420
7,827,772	370,492	547,211	628,839	4,043,708	101,844,757
\$7,977,449	\$ 573,884	\$ 1,692,985	\$ 520,473	\$ 4,927,061	\$106,489,097

MONTANA STATE UNIVERSITY
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
Year Ended June 30, 1985

	Unrestricted	
	General Operating	Designated
Revenues:		
Tuition and fees	\$ 8,703,238	\$ -
Federal appropriations	50,000	-
State appropriations	34,097,964	-
Federal grants and contracts	856,158	-
State grants and contracts	70,300	-
Private gifts, grants and contracts	225,608	-
Endowment income	441,402	-
Other sources	140,746	-
Sales and services	-	6,232,697
Total revenue	<u>44,585,416</u>	<u>6,232,697</u>
Expenditures and mandatory transfers:		
Education and general		
Instruction	24,940,895	-
Research	577,274	-
Public service	9,955	-
Academic support	5,754,897	-
Student services	4,087,884	-
Institutional support	3,463,924	-
Operation and maintenance of plant	4,943,870	-
Scholarships and fellowships	855,655	-
Other	-	-
Education and general expenditures	<u>44,634,354</u>	<u>-</u>
Designated and auxiliary enterprises:		
Expenditures	-	6,807,600
Mandatory transfers	-	-
Total designated and auxiliary	<u>-</u>	<u>6,807,600</u>
Total expenditures and mandatory transfers	<u>44,634,354</u>	<u>6,807,600</u>
Other transfers and additions (deductions):		
Excess of restricted receipts over transfers to revenue	-	-
Transfers	<u>(9,706)</u>	<u>(19,439)</u>
Net increase (decrease) in fund balance	<u>\$ (58,644)</u>	<u>\$ (594,342)</u>

See notes to financial statements

<u>Auxiliary Enterprises</u>	<u>Restricted</u>	<u>Total</u>
\$ -	\$ 21,389	\$ 8,724,627
-	-	50,000
-	-	34,097,964
-	8,362,135	9,218,293
-	1,063,315	1,133,615
-	1,560,447	1,786,055
-	592	441,994
-	92,097	232,843
11,961,914	-	18,194,611
<u>11,961,914</u>	<u>11,099,975</u>	<u>73,880,002</u>
-	639,423	25,580,318
-	3,915,658	4,492,932
-	1,101,748	1,111,703
-	92,098	5,846,995
-	218,214	4,306,098
-	437,670	3,901,594
-	17,796	4,961,666
-	4,507,731	5,363,386
-	169,637	169,637
-	<u>11,099,975</u>	<u>55,734,329</u>
10,429,787	-	17,237,387
1,277,200	-	1,277,200
<u>11,706,987</u>	<u>-</u>	<u>18,514,587</u>
11,706,987	11,099,975	74,248,916
-	72,704	72,704
(134,240)	-	(163,385)
<u>\$ 120,687</u>	<u>\$ 72,704</u>	<u>\$ (459,595)</u>

MONTANA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

June 30, 1985

1. Summary of significant accounting policies

Related parties:

Montana State University, Montana Agricultural Experiment Station and Montana Cooperative Extension Service are related through common management and control; however, they are separate and distinct agencies and they receive separate federal and state appropriations. These agencies have certain related-party transactions, including sharing office facilities, management, accounting and office services. The accounts of Montana Agricultural Experiment Station and Montana Cooperative Extension Service have not been included in the accompanying financial statements.

Financial Statements:

The accompanying financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles for colleges and universities except as noted hereafter.

The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period and does not purport to present the results of operations or the net income or loss for the period.

Fund balance for unrestricted general operating funds includes \$50,925 allocated for encumbrances and \$20,520 prior period revenue overage netted to the unfunded liability of \$3,278,410 for compensated absences payable. Fund balance for unrestricted designated funds includes positive fund balances of \$111,005 netted to the unfunded liability of \$245,374 for compensated absences payable.

Per recommendation of the Legislative Auditor's Office and concurrence by the Financial Aid Office at the University, \$69,163 of restricted current funds scholarship were reclassified to agency funds because the awards recipients are selected by parties outside the institution.

Fund accounting:

The accounts of the University are maintained in accordance with the principles of fund accounting wherein resources are classified for accounting purposes into funds that are identified by the limitations and restrictions placed upon their use. Separate accounts are maintained for each fund; however, accounts with common characteristics are combined into fund groups and reflected as such in the accompanying financial statements. The common characteristics of the funds contained in the various fund groups are as follows:

Current funds:

The current funds group includes economic resources expendable in performing the primary objectives of the University, i.e.,

MONTANA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

June 30, 1985

1. Summary of significant accounting policies (continued)

Fund accounting (continued):

Current funds (continued):

Instruction, Research and Public Service. The current funds group has two basic distinct sub-groups; unrestricted funds which have no expenditure restrictions, and restricted funds which have expenditure restrictions. Unrestricted current funds are comprised of the following:

General Operating - utilized for general operations in performing the primary objectives of the University.

Designated - utilized for educational related service activities; these funds are separately classified in order to accumulate and distinguish the costs of these specialized service or function areas.

Auxiliary Enterprises - utilized in providing essential on-campus services primarily to students, faculty, and staff.

Student loan funds:

The resources from this group of funds are available to students to aid in financing their education. Funds for the loans are provided by private and University sources with the majority of the funds being provided by the Federal Government.

Endowment funds:

Endowment funds are funds with specific restrictions negating the expenditure of the principal. Generally, the principal is to be maintained in perpetuity and invested for the purpose of producing income.

Plant funds:

Plant funds are separated into four distinct self-balancing sub-group accounts:

Unexpended plant - utilized for acquisition of long-term institutional assets.

Renewal and replacement - utilized for long-term institutional asset maintenance.

Retirement of indebtedness - utilized for interest and debt retirement.

Investment in plant - denotes the cost of long-term institutional assets and related liabilities.

MONTANA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

June 30, 1985

1. Summary of significant accounting policies (continued)

Inventories:

Inventories, which consist mainly of food and operating supplies, are valued at cost (first-in, first-out method).

Investments:

Investments are carried at cost, which approximate market value at June 30, 1985.

Plant and equipment:

At June 30, 1985, investment in plant was adjusted \$554,420 to reflect the totals in the property control subsidiaries. Livestock is carried at current market value with any difference from the prior year values recorded in the plant fund.

Depreciation:

No provision has been made for depreciation of plant facilities in accordance with generally accepted accounting principles for colleges and universities.

Allowance for Bad Debts:

Except for Loan Funds, an allowance for bad debts has not been recorded. Losses from bad debts in other funds are recorded as adjustments to revenue in the year in which they are deemed uncollectable.

Allocated for encumbrances:

The University records encumbrances of general operating funds as expenditures in conformance with the Statewide Budgeting and Accounting System.

At June 30, 1985, the University had encumbered \$50,925 of general operating funds that are not included in expenditures in the accompanying financial statements. The accrual basis of accounting provides that expenditures include only amounts associated with goods and services received and that liabilities include only the unpaid amounts associated with such transactions.

Unearned tuition and fees:

Summer school tuition and fee revenues are deferred at June 30 and recorded as revenue in the succeeding fiscal year.

MONTANA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

June 30, 1985

2. Endowment funds - land grants

Montana State University benefits from two separate land grants. The first granted 90,000 acres for the University under provisions of the Morrill Act of 1862 and the second, under the Enabling Act of 1889, granted an additional 50,000 acres for the University.

Under provisions of both grants, income from the sale of land and land assets must be reinvested and constitutes, along with the balance of the unsold land, a perpetual endowment fund. The State of Montana, State Land Board administers both grants and holds all assets.

Investment income from the first grant may be used for current operations of the University and is reported as current unrestricted funds revenue. Investment income from the second grant is currently pledged to the retirement of the December 1, 1984 - Series 1984 Indenture revenue bonds and is reported as revenue in the retirement of indebtedness fund.

3. Investments

Investments at June 30, 1985 consist of the following:

	<u>Cost</u>
State of Montana short-term investment pool	\$ 3,833,712
U.S. Treasury securities, held by trustees	15,366,712
Federal securities	<u>449,097</u>
	<u>\$ 19,649,521</u>

The investments at June 30, 1985 are owned by the following funds:

Current funds:

Designated	\$ 225,255
Auxiliary enterprises	1,561,081
Restricted	640,950
Endowment funds	560,095
Plant funds:	
Unexpended plant	11,322,330
Renewals and replacements	257,592
Retirement of indebtedness	4,653,623
Agency	<u>428,595</u>

\$19,649,521

MONTANA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

June 30, 1985

4. Bonds payable

Bonds payable at June 30, 1985 include the following:

Indenture - December 1, 1984 - Series 1984	\$ 8,850,000
Indenture - December 1, 1984 - Series B 1984	9,920,000
Indenture - December 15, 1984 - Series 1984	9,260,000
	<u>\$28,030,000</u>

The records and accounts of the University's revenue bonds are subject to an annual audit by a certified public accounting firm; copies of the report which provides complete descriptive details of each indenture are available upon request.

5. Bonds defeased, issued, and escrowed:

Defeasance of October 14, 1963 and April 12, 1971 Resolutions:

All bonds outstanding under the October 14, 1963 and April 12, 1971 Resolutions totaling \$3,965,000 were defeased when funds from the sale of bonds issued under the December 15, 1984 Indenture, along with funds on hand were deposited in an irrevocable escrow account. This resulted in a gain. Obligations of the United States Government, calculated to be sufficient to provide for the payment of principal and interest on the October 14, 1963 and April 12, 1971 refunded bonds as they become due, were purchased and are held by the Escrow Agent. Other retirement of indebtedness deductions include \$1,246,000 to defease the October 14, 1963 and April 12, 1971 Resolutions and issue the December 1, 1984 Series B and December 15, 1984 Indentures.

Issuance of December 1, 1984 Indenture Series B 1984:

An original issue of \$9,920,000 dated December 1, 1984 consisting of fully registered bonds without coupons for the construction renovation, improvement, furnishing, and equipping of new and existing Student Housing System Facilities at and for the University.

Issuance of December 15, 1984 Indenture:

An original issue of \$9,260,000 dated December 15, 1984, consisting of fully registered bonds without coupons to defease all bonds outstanding under the October 14, 1963 and April 12, 1971 Resolutions, to escrow certain General Obligation Bonds under the responsibility of the University, and to finance the construction renovation, improvement, and equipping of certain Health and Physical Education Facilities at and for the University.

Escrowed General Obligation Bonds:

General Obligation Refunding Bonds, Series 1983A, dated August 1, 1983, in the amount of \$4,945,000 were placed in escrow by utilizing the proceeds of the December 15, 1985 Indenture - Series 1984.

MONTANA STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 1985

6. Retirement plans

All of the University's full-time employees are members of the Montana Public Employees Retirement System or Montana Teacher's Retirement System. The University's contributions to these plans, which were determined to be actuarially sound by the most recent biennial valuations, totaled \$2,591,631 for the year ended June 30, 1985.

7. Commitments and contingencies

Compensated absences payable:

As of December 31 of each year, employees can accumulate vacation leave up to twice the number of leave days earned annually and sick leave can be accumulated without limitation. Upon termination, the employee is paid the accumulated vacation leave and 25% of the accumulated sick leave. Vacation and sick leave payments are recorded as an expenditure at the time they are paid to the employee.

Due to system limitations, the change in the compensated absences payable amount is stated as an adjustment and not identified with the fiscal period earned or utilized by the employee.

Capital projects:

As of June 30, 1985, the University has initiated construction on the following major capital projects:

<u>Project</u>	<u>Amount Authorized</u>	<u>Amount Exp. as of 6/30/85</u>
Student union bldg. addition/renovation	\$ 5,394,400	\$ 5,362,318
Physical education facilities addition	2,500,000	2,475,294
University apartments '84	4,200,000	3,073,272
Animal lab facility	2,260,000	2,171,901
Visual communications building	4,598,000	4,589,911
On campus living - fire detection	620,000	568,710
Controlled environmental facility	5,302,000	612,693
Engineering/physical science complex	350,000	171,663
Hedges food system exhaust	197,736	151,974
1984B On Campus Living Construction	8,137,100	10,150
1984 P.E. Indenture Construction	1,400,000	8,896
	<u>\$34,959,236</u>	<u>\$19,196,782</u>

Leases:

The University reserves the right to limit the amount of expenditures associated with lease contracts without penalty, when in the sole judgment of the University annual funding or program changes necessitate. Capital lease agreements for various purposes and time periods totaling \$104,893 at June 30, 1985 are not added to net investment in plant and not deemed to be material to the overall consolidated financial position of the University.

MONTANA STATE UNIVERSITY
BALANCE SHEETS
Year Ended June 30, 1984

ASSETS

CURRENT FUNDS:

Unrestricted:

General operating:

Cash	\$ 3,337,958
Accounts receivable	727,650
Due from other fund groups	1,455,327

Total general operating	<u>5,520,935</u>
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Designated:

Cash	105,250
Accounts receivable	243,936
Due from other fund groups	995,232
Investments (Note 3)	296,071
Inventories	522,160
Total designated	<u>2,162,649</u>

Auxiliary enterprises:

Cash	328,551
Accounts receivable	47,473
Due from other fund groups	179,934
Investments (Note 3)	1,378,098
Inventories	533,037

Total auxiliary enterprises	<u>2,467,093</u>
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Total unrestricted	<u>10,150,677</u>
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Restricted:

Cash	314,049
Accounts receivable	1,164,314
Due from other fund groups	18,449
Investments (Note 3)	459,764

Total restricted	<u>1,956,576</u>
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Total current funds	<u>\$12,107,253</u>
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STUDENT LOAN FUNDS:

Cash	\$ 71,048
Loans receivable - less allowance for bad debts \$314,206	7,540,951
Accounts receivable	87,887
Due from other fund groups	180

Total student loan funds	<u>\$ 7,700,066</u>
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See notes to financial statements

LIABILITIES AND FUND BALANCES

CURRENT FUNDS:

Unrestricted:

General operating:

Accrued payroll	\$ 2,712,143
Accounts payable and accrued liabilities	750,374
Due to other fund groups	1,356,223
Deposits	43,112
Deferred revenue	510,913
Compensated absences payable (Note 7)	3,140,356
Fund balance (Note 1)	<u>(2,992,186)</u>
Total general operating	<u>5,520,935</u>

Designated:

Accrued payroll	221,994
Accounts payable and accrued liabilities	377,656
Due to other fund groups	781,746
Compensated absences payable (Note 7)	226,077
Fund balance	<u>555,176</u>
Total designated	<u>2,162,649</u>

Auxiliary enterprises:

Accrued payroll	264,399
Accounts payable and accrued liabilities	89,772
Deposits	306,352
Deferred revenue	59,459
Due to other fund groups	260,002
Compensated absences payable (Note 7)	277,192
Fund balance	<u>1,209,917</u>
Total auxiliary enterprises	<u>2,467,093</u>

Total unrestricted	<u>10,150,677</u>
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Restricted:

Accrued payroll	230,893
Accounts payable and accrued liabilities	74,613
Due to other fund groups	937,853
Compensated absences payable (Note 7)	245,306
Fund balance	<u>467,911</u>
Total restricted	<u>1,956,576</u>

Total current funds	<u>\$12,107,253</u>
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STUDENT LOAN FUNDS:

Accounts payable and accrued liabilities	\$ 4,275
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Fund balances:

U.S. Government grants refundable	\$6,845,403
University funds	760,600
Private gifts	<u>89,788</u>
Total student loan funds	<u>7,695,791</u>
	<u>\$ 7,700,066</u>

MONTANA STATE UNIVERSITY
BALANCE SHEETS
Year Ended June 30, 1984

ASSETS

ENDOWMENT FUNDS:

Cash	\$ 3,189
Investments (Note 3)	<u>367,303</u>
Total endowment funds	<u>\$ 370,492</u>

PLANT FUNDS:

Unexpended:

Cash	\$ 421,361
Accounts receivable	129,922
Due from other fund groups	4,918
Investments (Note 3)	3,905,217
Construction advances to state	<u>201,209</u>
Total unexpended	<u>4,662,627</u>

Renewals and replacements:

Cash	144,413
Accounts receivable	27,472
Investments (Note 3)	<u>493,402</u>
Total renewals and replacements	<u>665,287</u>

Retirement of indebtedness:

Cash	614,846
Accounts receivable	84,376
Investments (Note 3)	<u>3,349,054</u>
Total retirement of indebtedness	<u>4,048,276</u>

Investment in plant:

Land and land improvements	2,394,226
Buildings (including construction in progress)	76,373,148
Equipment	36,857,556
Livestock	<u>25,400</u>
Total investment in plant	<u>115,650,330</u>

Total plant funds	<u>\$125,026,520</u>
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AGENCY FUNDS:

Cash	\$ 225,770
Accounts receivable	135,709
Due from other fund groups	716,562
Investments (Note 3)	<u>412,315</u>

Total agency funds	<u>\$ 1,490,356</u>
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See notes to financial statements

LIABILITIES AND FUND BALANCES

ENDOWMENT FUNDS:

Fund balance	\$ 370,492
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Total endowment funds	<u>\$ 370,492</u>
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PLANT FUNDS:

Unexpended:

Accounts payable and accrued expenditures	\$ 7,118
Due to other fund groups	12,760
Bonds payable (Note 4)	4,057,286
Fund balance	585,463

Total unexpended	<u>4,662,627</u>
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Renewals and replacements:

Due to other fund groups	17,708
Fund balance	647,579

Total renewals and replacements	<u>665,287</u>
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Retirement of indebtedness:

Due to other fund groups	4,308
Fund balance	4,043,968

Total retirement of indebtedness	<u>4,048,276</u>
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Investment in plant:

Bonds payable (Note 4)	14,302,714
Other payables	57,279
Net investment in plant	101,290,337

Total investment in plant	<u>115,650,330</u>
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Total plant funds	<u>\$125,026,520</u>
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AGENCY FUNDS:

Accrued payroll	\$ 14,507
Accounts payable and accrued liabilities	591,955
Compensated absences payable (Note 7)	11,765
Deposits held in custody for others	872,129

Total agency funds	<u>\$ 1,490,356</u>
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MONTANA STATE UNIVERSITY
STATEMENT OF CHANGES IN FUND BALANCES
Year Ended June 30, 1984

	Current Funds			
	Unrestricted			Restricted
	General Operating	Designated	Auxiliary Enterprises	
Revenue and other additions:				
Current funds revenue	\$43,288,774	\$ 6,248,194	\$11,931,510	\$10,783,571
Federal capital contribution	-	-	-	-
University capital contribution	-	-	-	-
Private capital contribution	-	-	-	-
Interest on loans receivable	-	-	-	-
Bond indenture proceeds (Note 5)	-	-	-	-
Gain on bond defeasance (Note 5)	-	-	-	-
Student fees	-	-	-	-
Investment income	-	-	-	-
Endowment income & grants (Note 2)	-	-	-	-
Discount on bonds purchased	-	-	-	-
Debt retirement (incl. defeasance)	-	-	-	-
Transfer of bond liability	-	-	-	-
Expended for plant facilities (including \$3,425,097 charged to current funds)	-	-	-	-
G.O. bond refunding (Note 5)	-	-	-	-
State appropriations	-	-	-	-
Other	-	-	-	-
Total revenue and other additions	<u>43,288,774</u>	<u>6,248,194</u>	<u>11,931,510</u>	<u>10,783,571</u>
Expenditures and other deductions:				
Current funds expenditures	43,358,513	6,494,516	10,050,700	10,516,676
Loan cancellations	-	-	-	-
Refunded to grantors	-	-	-	-
Administrative expenditures	-	-	-	-
Provision for bad debts	-	-	-	-
Expended for plant facilities (Including \$817,706 non-capital expenditures)	-	-	-	-
Debt retirement (incl. defeasance)	-	-	-	-
Interest on debt	-	-	-	-
Transfer of bond liability	-	-	-	-
Bond indenture debt (Note 5)	-	-	-	-
Other (Note 5)	-	-	-	-
Total expenditures and other deductions	<u>43,358,513</u>	<u>6,494,516</u>	<u>10,050,700</u>	<u>10,516,676</u>

See notes to financial statements

Loan Funds	Endowment and Similar Funds	Plant Funds			
		Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
-	\$ -	\$ -	\$ -	\$ -	\$ -
164,443	-	-	-	-	-
31,082	-	-	-	-	-
-	80,100	70,000	-	-	-
118,122	-	-	-	-	-
-	-	-	-	4,800,000	-
-	-	-	-	3,426,240	-
-	-	371,587	-	1,537,246	-
-	-	36,760	15,105	669,030	-
-	-	-	-	491,478	-
-	-	-	-	138,346	-
-	-	-	-	-	12,449,392
-	-	142,714	-	-	-
-	-	-	-	-	6,370,834
-	-	-	-	-	1,150,000
-	-	1,843,267	-	-	-
-	1,725	171,815	7,148	48,543	-
313,647	81,825	2,636,143	22,253	11,110,883	19,970,226
-	-	-	-	-	-
69,649	-	-	-	-	-
968	-	-	-	-	-
53,653	-	-	-	-	-
20,838	-	-	-	-	-
-	-	3,238,764	524,679	-	-
-	-	-	-	12,449,392	-
-	-	-	-	1,068,936	-
-	-	-	-	-	142,714
-	-	-	-	-	4,800,000
-	-	-	-	581,993	-
145,108	-	3,238,764	524,679	14,100,321	4,942,714

MONTANA STATE UNIVERSITY
STATEMENT OF CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 1984

	Current Funds			
	Unrestricted			Restricted
	General Operating	Designated	Auxiliary Enterprises	
Transfer among funds - additions (deductions):				
Mandatory:				
All fund groups	\$ -	\$ -	\$ -	\$ -
Voluntary:				
General operating	(10,093)	-	-	-
Auxiliary enterprises-net	-	21,611	(2,970,462)	-
Repair and replacement	-	-	-	-
Retirement of debt-net	-	-	-	-
Total transfers	<u>(10,093)</u>	<u>21,611</u>	<u>(2,970,462)</u>	<u>-</u>
Net increase (decrease) in fund balance	<u>(79,832)</u>	<u>(224,711)</u>	<u>(1,089,652)</u>	<u>266,895</u>
Fund balances at beginning of year as previously reported	<u>354,257</u>	<u>989,583</u>	<u>2,621,652</u>	<u>681,124</u>
Adjustments: (Note 1 & 7)				
Prior year revenues	24,722	10,834	243	(75,116)
Prior year expenditures	(150,977)	5,547	(45,134)	(154,686)
Compensated absences payable	(3,140,356)	(226,077)	(277,192)	(245,306)
Other	-	-	-	(5,000)
Total adjustments	<u>(3,266,611)</u>	<u>(209,696)</u>	<u>(322,083)</u>	<u>(480,108)</u>
Fund balances at beginning of year as adjusted	<u>(2,912,354)</u>	<u>779,887</u>	<u>2,299,569</u>	<u>201,016</u>
Fund balances at end of year	<u><u>\$ (2,992,186)</u></u>	<u><u>\$ 555,176</u></u>	<u><u>\$ 1,209,917</u></u>	<u><u>\$ 467,911</u></u>

See notes to financial statements

<u>Loan Funds</u>	<u>Endowment and Similar Funds</u>	<u>Plant Funds</u>			
		<u>Unexpended</u>	<u>Renewals and Replacements</u>	<u>Retirement of Indebtedness</u>	<u>Investment in Plant</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	10,093	-
-	-	22,639	521,664	2,404,548	-
-	-	178,867	(178,867)	-	-
-	-	196,236	557,691	(753,927)	-
-	-	<u>397,742</u>	<u>900,488</u>	<u>1,660,714</u>	<u>-</u>
<u>168,539</u>	<u>81,825</u>	<u>(204,879)</u>	<u>398,062</u>	<u>(1,328,724)</u>	<u>15,027,512</u>
<u>7,527,252</u>	<u>290,828</u>	<u>3,171,241</u>	<u>254,773</u>	<u>4,995,492</u>	<u>85,712,043</u>
-	(2,161)	(2,375,122)	(50)	377,700	-
-	-	(5,777)	(5,206)	(500)	-
-	-	-	-	-	-
-	-	-	-	-	550,782
-	<u>(2,161)</u>	<u>(2,380,899)</u>	<u>(5,256)</u>	<u>377,200</u>	<u>550,782</u>
<u>7,527,252</u>	<u>288,667</u>	<u>790,342</u>	<u>249,517</u>	<u>5,372,692</u>	<u>86,262,825</u>
<u>\$7,695,791</u>	<u>\$ 370,492</u>	<u>\$ 585,463</u>	<u>\$ 647,579</u>	<u>\$ 4,043,968</u>	<u>\$101,290,337</u>

MONTANA STATE UNIVERSITY
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
Year Ended June 30, 1984

	Unrestricted	
	General Operating	Designated
Revenues:		
Tuition and fees	\$ 8,386,014	\$ -
Federal appropriations	50,000	-
State appropriations	33,176,752	-
Federal grants and contracts	789,746	-
State grants and contracts	56,781	-
Private gifts, grants and contracts	239,795	-
Endowment income	421,240	-
Other sources	168,446	-
Sales and services	-	6,248,194
Total revenue	<u>43,288,774</u>	<u>6,248,194</u>
Expenditures and mandatory transfers:		
Education and general		
Instruction	24,600,899	-
Research	577,255	-
Public service	9,637	-
Academic support	5,490,831	-
Student services	3,918,496	-
Institutional support	3,316,390	-
Operation and maintenance of plant	4,702,712	-
Scholarships and fellowships	742,293	-
Other	-	-
Education and general expenditures	<u>43,358,513</u>	<u>-</u>
Designated and auxiliary enterprises:		
Expenditures	-	6,494,516
Mandatory transfers	-	-
Total designated and auxiliary	<u>-</u>	<u>6,494,516</u>
Total expenditures and mandatory transfers	<u>43,358,513</u>	<u>6,494,516</u>
Other transfers and additions (deductions):		
Excess of restricted receipts over transfers to revenue	-	-
Transfers	<u>(10,093)</u>	<u>21,611</u>
Net increase (decrease) in fund balance	<u>\$ (79,832)</u>	<u>\$ (224,711)</u>

See notes to financial statements

<u>Auxiliary Enterprises</u>	<u>Restricted</u>	<u>Total</u>
\$ -	\$ 33,583	\$ 8,419,597
-	-	50,000
-	-	33,176,752
-	7,825,341	8,615,087
-	776,025	832,806
-	1,798,989	2,038,784
-	3,504	424,744
-	79,234	247,680
11,931,510	-	18,179,704
<u>11,931,510</u>	<u>10,516,676</u>	<u>71,985,154</u>
-	767,280	25,368,179
-	3,496,956	4,074,211
-	717,563	727,200
-	74,418	5,565,249
-	450,294	4,368,790
-	647,931	3,964,321
-	8,829	4,711,541
-	4,237,729	4,980,022
-	115,676	115,676
-	<u>10,516,676</u>	<u>53,875,189</u>
10,050,700	-	16,545,216
-	-	-
<u>10,050,700</u>	<u>-</u>	<u>16,545,216</u>
<u>10,050,700</u>	<u>10,516,676</u>	<u>70,420,405</u>
-	266,895	266,895
(2,970,462)	-	(2,958,944)
<u>\$ (1,089,652)</u>	<u>\$ 266,895</u>	<u>\$ (1,127,300)</u>

MONTANA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

June 30, 1984

1. Summary of significant accounting policies

Related parties:

Montana State University, Montana Agricultural Experiment Station and Montana Cooperative Extension Service are related through common management and control; however, they are separate and distinct agencies and they receive separate federal and state appropriations. These agencies have certain related-party transactions, including sharing office facilities, management, accounting and office services. The accounts of Montana Agricultural Experiment Station and Montana Cooperative Extension Service have not been included in the accompanying financial statements.

Financial Statements:

The accompanying financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles for colleges and universities except as noted hereafter.

The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period and does not purport to present the results of operations or the net income or loss for the period.

Fund balance for unrestricted general operating funds includes \$140,806 allocated for encumbrances and \$7,364 prior period revenue overage netted to the unfunded liability of \$3,140,356 for compensated absences payable.

Fund accounting:

The accounts of the University are maintained in accordance with the principles of fund accounting wherein resources are classified for accounting purposes into funds that are identified by the limitations and restrictions placed upon their use. Separate accounts are maintained for each fund; however, accounts with common characteristics are combined into fund groups and reflected as such in the accompanying financial statements. The common characteristics of the funds contained in the various fund groups are as follows:

Current funds:

The current funds group includes economic resources expendable in performing the primary objectives of the University, i.e., Instruction, Research and Public Service. The current funds group has two basic distinct sub-groups; unrestricted funds which have no expenditure restrictions, and restricted funds which have expenditure restrictions. Unrestricted current funds are comprised of the following:

MONTANA STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 1984

1. Summary of significant accounting policies (continued)

Fund accounting (continued):

Current funds (continued):

General Operating - utilized for general operations in performing the primary objectives of the University.

Designated - utilized for educational related service activities; these funds are separately classified in order to accumulate and distinguish the costs of these specialized service or function areas.

Auxiliary Enterprises - utilized in providing essential on-campus services primarily to students, faculty, and staff.

Student loan funds:

The resources from this group of funds are available to students to aid in financing their education. Funds for the loans are provided by private and University sources with the majority of the funds being provided by the Federal Government.

Endowment funds:

Endowment funds are funds with specific restrictions negating the expenditure of the principal. Generally, the principal is to be maintained in perpetuity and invested for the purpose of producing income.

Plant funds:

Plant funds are separated into four distinct self-balancing sub-group accounts:

Unexpended plant - utilized for acquisition of long-term institutional assets.

Renewal and replacement - utilized for long-term institutional asset maintenance.

Retirement of indebtedness - utilized for interest and debt retirement.

Investment in plant - denotes the cost of long-term institutional assets and related liabilities.

MONTANA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

June 30, 1984

1. Summary of significant accounting policies (continued)

Inventories:

Inventories, which consist mainly of food and operating supplies, are valued at cost (first-in, first-out method).

Investments:

Investments are carried at cost, which approximate market value at June 30, 1984.

Plant and equipment:

At June 30, 1984, investment in plant was adjusted \$550,782 to reflect the totals in the property control subsidiaries. Livestock is carried at current market value with any difference from the prior year values recorded in the plant fund.

Depreciation:

No provision has been made for depreciation of plant facilities in accordance with generally accepted accounting principles for colleges and universities.

Allowance for Bad Debts:

Except for Loan Funds, an allowance for bad debts has not been recorded. Losses from bad debts in other funds are recorded as adjustments to revenue in the year in which they are deemed uncollectable.

Allocated for encumbrances:

The University records encumbrances of general operating funds as expenditures in conformance with the Statewide Budgeting and Accounting System.

At June 30, 1984, the University had encumbered \$140,806 of general operating funds that are not included in expenditures in the accompanying financial statements. The accrual basis of accounting provides that expenditures include only amounts associated with goods and services received and that liabilities include only the unpaid amounts associated with such transactions.

Unearned tuition and fees:

Summer school tuition and fee revenues are deferred at June 30 and recorded as revenue in the succeeding fiscal year.

MONTANA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

June 30, 1984

2. Endowment funds - land grants

Montana State University benefits from two separate land grants. The first granted 90,000 acres for the University under provisions of the Morrill Act of 1862 and the second, under the Enabling Act of 1889, granted an additional 50,000 acres for the University.

Under provisions of both grants, income from the sale of land and land assets must be reinvested and constitutes, along with the balance of the unsold land, a perpetual endowment fund. The State of Montana, State Land Board administers both grants and holds all assets.

Investment income from the first grant may be used for current operations of the University and is reported as current unrestricted funds revenue. Investment income from the second grant is currently pledged to the retirement of the April 15, 1984 indenture revenue bonds and is reported as revenue in the retirement of indebtedness fund.

3. Investments

Investments at June 30, 1984 consist of the following:

	<u>Cost</u>
State of Montana short-term investment pool	\$ 3,994,157
U.S. Treasury securities, held by trustees	6,317,059
Federal securities	<u>350,008</u>
	<u>\$10,661,224</u>

The investments at June 30, 1984 are owned by the following funds:

Current funds:	
Designated	\$ 296,071
Auxiliary enterprises	1,378,098
Restricted	459,764
Endowment funds	367,303
Plant funds:	
Unexpended plant	3,905,217
Renewals and replacements	493,402
Retirement of indebtedness	3,349,054
Agency	<u>412,315</u>
	<u>\$10,661,224</u>

MONTANA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

June 30, 1984

4. Bonds payable

Bonds payable at June 30, 1984 include the following:

Resolution - October 14, 1963	\$ 2,715,000
Resolution - April 12, 1971	1,445,000
Montana Long Range Building Program - March 1, 1980	5,200,000
Indenture - April 15, 1984	9,000,000
	<u>\$18,360,000</u>

The records and accounts of the University's revenue bonds are subject to an annual audit by a certified public accounting firm; copies of the report are available upon request.

5. Bond defeasance, issuance, and refunding:

Defeasance of July 1, 1954 Indenture:

All bonds outstanding, \$11,069,000, under the July 1, 1954 Indenture were defeased when funds, \$4,800,000, from the sale of bonds issued under the April 15, 1984 Indenture, along with funds on hand, \$2,842,760, were deposited in an irrevocable escrow account resulting in a gain on defeasance of \$3,426,240. Obligations of the United States Government, calculated to be sufficient to provide for the payment of principal and interest on the July 1, 1954 refunded Bonds as they became due, were purchased and are held by the Escrow Agent. Other retirement of indebtedness deductions include \$556,930 to defease the July 1, 1954 Indenture and issue the April 15, 1984 Indenture.

Issuance of April 15, 1984 Indenture:

An original issue of \$9,000,000, consisting of fully registered bonds without coupons; \$4,800,000 with the purpose of defeasing all bonds outstanding under the July 1, 1954 Indenture and \$4,200,000 for construction of approximately 90 additional units of married student housing.

G.O. Bond refunding:

Outstanding general obligation long range building program bonds, Series 1980, dated March 1, 1980, issued by the State of Montana in the amount of \$6,350,000 for the construction of additions to the Physical Education Complex and Student Union Building at Montana State University, were refunded by issuance of general obligation refunding bonds, Series 1983A, dated August 1, 1983, in the amount of \$5,200,000; resulting in a \$1,150,000 lowering of the debt level associated with Investment in Plant.

MONTANA STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 1984

6. Retirement plans

All of the University's full-time employees are members of the Montana Public Employees Retirement System or Montana Teacher's Retirement System. The University's contributions to these plans, which were determined to be actuarially sound by the most recent biennial valuations, totaled \$2,471,762 for the year ended June 30, 1984.

7. Commitments and contingencies

Compensated absences payable:

As of December 31 of each year, employees can accumulate vacation leave up to twice the number of leave days earned annually and sick leave can be accumulated without limitation. Upon termination, the employee is paid the accumulated vacation leave and 25% of the accumulated sick leave. Vacation and sick leave payments are recorded as an expenditure at the time they are paid to the employee.

Previous financial reports have disclosed the leave liability only as a footnote. In accordance with generally accepted accounting principles the liability as of June 30, 1984 has been recorded for the first time as a liability of the applicable fund group.

Capital projects:

As of June 30, 1984, the University has initiated construction on the following major capital projects:

<u>Project</u>	<u>Amount Authorized</u>	<u>Amount Exp. as of 6/30/84</u>
Student union bldg. addition/renovation	\$ 5,360,400	\$ 5,320,586
Physical education facilities addition	2,500,000	2,419,904
University apartments '84	4,200,000	142,714
Animal lab facility	2,260,000	2,006,193
Visual communications building	4,598,000	4,529,999
On campus living - fire detection	620,000	496,779
Controlled environmental facility	5,302,000	152,269
Engineering/physical science complex	350,000	67,487
Hedges food system exhaust	100,000	76,712
	<u>\$25,290,400</u>	<u>\$15,212,643</u>

Leases:

The University reserves the right to limit the amount of expenditures associated with lease contracts without penalty, when in the sole judgment of the University annual funding or program changes necessitate. Capital lease agreements for various purposes and time periods totaling \$30,193 at June 30, 1984 are not added to net investment in plant and not deemed to be material to the overall consolidated financial position of the University.

MONTANA STATE UNIVERSITY
SCHEDULE OF GRANT EXPENDITURES AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 1985

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>FEDERAL GRANTS</u>	
<u>Department of Education</u>	
G008402119	\$ 148,023
G008302783	32,035
G008401682	161,130
G008440245	5,806
G008302783	62,653
00750V1058	8,859
Altans	9,353
G00831153	852
G008004366	3,871
G008101025	43,150
Pell	3,799,391
College Work Study	673,952
NDSL Disbursements	1,214,552
Administrative and Collection Costs	15,057
SEOG	<u>266,956</u>
<u>Department of Interior</u>	
IPA	\$ 5,417
141600091516#8	28,764
CX-1200-2-B035	61
PX157032107	1,964
MT950-CTZ-9	2,993
141600091516#7	24,572
14-10-2-920-13	263
14-06-600-614A	2,598
14-16-0006-84-92	3,061
CX-1200-4-A038	8,448
14 16 0009 1516	4,825
Picton	3,485
1416000685912	2,552
CX 1200 5 A051	266
14-16-0009-1516	2,460
Beattie	291
C50-C-1420-5591	<u>34,267</u>

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>Health and Human Services</u>	
5R23NS17974-123	\$ 28,069
7R01CA39611-01	51,925
90AD0012/01	24,522
1R01AM3351001	65,231
1R01GM3182401	57,362
2507RR0710006	32,540
5R01AI1794803	11,565
2503RR0309104	3,368
2A11NU00239-09	11,595
5R01GM3182403	18,210
1R01CA35905-01	74,775
12 23 ES03254-01	30,453
5K04ES00063-3&4	11,970
1D10NU2807801	28,724
5R23-ES03254-02	18,304
2507RRD7100-07	9,045
1P40RR0224901	131,169
1R01HD1744401	7,903
5R01HD1744402	48,874
2ALL NU-00239-08	667
APH0031501	52,649
1 R01AI19089-01	76,526
5R01 ES02995-02	6,489
5G08LM03668-03	6,462
5K04AI00367123	37,653
5R01ES02995-03	70,002
1 506 RR08218-01	29,242
MIN Biomed Res	147,617
1506RR0821082	31,979
1506RR0821802	78,917
Nursing Loan Disbursements Collection Costs	<u>87,084</u>
<u>Department of Agriculture</u>	
12-14-5001-42	\$ 165,219
58-9AHZ-3-42	150,136
58-32U4-3-631	40,276
22-C-4-INT-70	5,299
Nielsen	2,750
22-C-3-INT-67	7,838
EED12170981712	5,616
Rust	22,820
22-C-2-INT-65	5,071
PNW-83-318	21,682
28-C2-204	11,190
58-9AHZ-2-687	5,424

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>Department of Agriculture (cont.)</u>	
53-D398-3DE-3	\$ 30,784
58-0401-4-00026	19,953
22-C-3-INT-66	3,353
22-C-3-INT-064	348
82CRSR21077	18,322
USDA 5C5	5,499
USDA	1,106
22-C-4-INT-68	39,932
7059230112	2,483
83CR5R2-2319	18,730
84 CR5R 22359	270
53-0385-3-2685	24,554
530343400795	4,897
530343300682	12,627
PX12002G015	3,788
BARDUS33580	4,593
22-C-4-INT-69	592
58519B11110	2,628
22-C-2-OMT 63	424
58-32R6-3-202	2,622
58-9AHZ-3-724	3,549
USDA SEA	4,884
84 CRCR 1 1481	33,024
82 CRSR 2 1006	82,169
579020261002A	13,849
USDA	22,937
USDA	12,339
USDA	8,878
USDA	9,279
USDA	7,474
Sea Formula 84	36,034
Sea Formula 85	52,109
12-05-300-663	5,100
12-05-300-664	15,923
EFFM-1-6009	30,252
12-05-300-0699	559
12-05-300-567	5,244
EIPM-1-7022	4,093
12-05-300-A39	498
Smith-Lever	2,014,378
Extension	408,628
Hatch	1,172,944
Regional	<u>584,296</u>

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>Department of Defense</u>	
N00014 84 K 0309	\$ 122,097
N0001484K0118	68,720
DAAG29-82-K-1027	15,328
AFOSR 80-0267	25,987
DAAG29 84 G 0032	<u>124,000</u>
<u>Department of Energy</u>	
DEAC6581WP15430	\$ 17,891
5-11-DO-0116	58,572
DEAP1881FC23116	227
DEAT0780ID1281	10,487
4-B001-C	<u>8,154</u>
<u>National Aeronautics and Space Administration</u>	
NAG-9-68	\$ 15,008
NAS 9 17346	3,797
NAS-9-16007	<u>217</u>
<u>National Science Foundation</u>	
SPE-8320677	\$ 7,533
CHE 8308398	19,394
CPE 8404337	10,709
CPE 8404063	241
CEE 8318476	19,755
INT 8414939	500
PCM 8410144	71,714
DMR-830946	348,351
INT 8211113	4,834
ATM843143	45,411
DMR 8401196	51,258
BSR 8506602	605
CHE 8119857	80,786
CPE 8200112	9,265
518 Priscu	2,043
DMR 8205280	36,020
EAR 8305173	63,282
PRM 8215000	18,576
BSR 8315279	29,222
BSR 8500849	1
BNS 8408061	12,684
PCM 8208393	69,805
DMR 8403993	45,456
ATM 8209836	27,863
DMR 8205581	160,426
CPE 8401335	23,259
CBT 8305152	37,075
BSN 8308209	22,574
PRM 8011449	57,780
FY 81 Monts	121,121
Monts	<u>25,814</u>

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>Other Federal</u>	
Chapter 36, Title 38	\$ 8,490
5BA-1791-PMA-74	6,360
PO1401505	14
294 Stover	4,113
PO HO 100408-10	3,355
U of C WRPIAP 85	5,192
598AHZ2677CIMMY	6
84-130	1987
PO4100650-10	3,562
DEFG2282PC50787	14,041
106-06	60,850
83-ABC-00095	7,857
RTAP 008	122,060
NOAA 84 ABC00173	13,408
CA20604	1,312
106-05	32,932
186-83-3019	8,798
PO100614-10	2,322
TVA 1131-130	9,177
TVA 1141-131	1,477
IA 21198 19 G	30,004
IC40309 84	6,095
PO 6014 9 5	1,451
IG-40645-84	50,200
PO-4100607-10	4,219
DACW4584M1357	54
NCA2-1R470-401	15,462
DEAI7985BP22256	100
4 BADNF5 1332	600
DANI318A00404500	283,539
AID/D5ANXIIGO161	72,671
TV-39645A	2,530
Pesticides	<u>16,630</u>
<u>W.R.R.C</u>	
Peavy	\$ 390
83/84/WRRC	46,070
14-08-0001-G917	99,729
14 08 0001 6 102	<u>4,192</u>
<u>Environmental Protection Agency</u>	
X1149NNEX	\$ 1,255
U912138 01 0	2,576
CR811334-01	128,380
CR811334 02	33,344
CR80724004	23,605
CR81001502	75,094
CR0810955-01	14,585
CR811958 01-0	145,655
TOTAL FEDERAL GRANTS	<u>\$16,291,669</u>

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>STATE GRANTS</u>	
<u>Department of Agriculture</u>	
ST DEPT AG Bahn	\$ 5,320
Harris	2,238
84 MWRMC	28,706
85 MWRMC	450,092
86 MWRMC	<u>1,188</u>
<u>Department of Commerce</u>	
0229	\$ 8,218
85-02	11,251
Montana Dept. Commerce	59,046
McKinsey	<u>6,650</u>
<u>Department of Health</u>	
DHF540335 12056	\$ <u>10,902</u>
<u>Department of Highways</u>	
Jennings	\$ 119,606
Hyypa	14,993
Gould	<u>8,783</u>
<u>Department of Natural Resources and Conservation</u>	
ED-MSU 672	\$ 9,783
ED-MCES 778	7,530
ED-MSU 775	279
WDG-84-5012	19,243
Nowlerski	1,769
RAE-82-1017	45
WDG-84-5005	13,438
RAE-84-1040	16,871
RAE-83-1031	1,860
RAE-84-1043	17,457
PIO 395162	133
RAE-85-1054	397
RAE-84-1041	13,541
RAE-84-1042	<u>16,556</u>
<u>Department of State Lands</u>	
MT 950-CTO-30	\$ 576
Munshower	16,830
Dollhopf	26,507
Weaver	<u>80</u>
<u>Fish, Wildlife and Parks</u>	
Gould	\$ 10,450
Giddings	4,967
Wood & Herr	9,783
Mackie, S602	<u>30,820</u>

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>Office of Public Instruction</u>	
84-5703-05-23-22 C616	\$ 580
84-5703-05-20-16	1,411
84-5703-05-24-21	263
84-5703-05-19-17 H321	29
84-5703-05-23-22 C617	866
84-5703-05-24-21 T853	63
84-5703-05-23-21	4,416
84-5703-05-23-16	176
85-OPI-H331	14,030
84-5703-05-24-21 T851	686
84-5703-05-25-22 R413	108
84-56-5703-060-TE	3,395
84-56-5703-064 5	615
T874	2,917
85-C6333	8,196
85-OPI-C628	2,544
85-OPI T868	7,113
85-OPI-D275	23,538
85-OPI-D376	21,060
85-OPI-C630	2,100
85-OPI-D294	13,538
85-OPI-T867	23,456
85-OPI-H332	11,672
85-OPI-R421	6,282
85-OPI-C629	3,817
85-T865	1,914
85-OPI-C626	3,148
85-OPI-D377	21,430
85-56-5703-200SD	<u>33,040</u>
<u>Social and Rehabilitation Services</u>	
SRS MCG-OAA-84	\$ 8,350
MCG 4A 84	26,519
MCG R4B 84	<u>38,352</u>
<u>Montana Arts Council</u>	
Jahnke	\$ 10,771
MAC 04-1764-4	32,006
MAC 05-1773-4	1,594
MAC 05-1834-5	2,275
MAC-09-1841-5	630
MAC-02-1866-5	<u>1,500</u>
<u>Montana Historical Society</u>	
3083-7256-17B	\$ 425
Davis	<u>3,352</u>

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>Montana Committee for the Humanities</u>	
Coffin	\$ 5,700
8-1-50	3,857
9-1-22	10,043
8-2-5	2,475
9-1-49	3,700
8-1-40	<u>9,052</u>
<u>Montana State Library</u>	
Alldredge	\$ <u>11,000</u>
<u>Environmental Quality Council</u>	
Sel Com Water MA	\$ 351
McKinsey	<u>3,650</u>
<u>Other</u>	
RRD MAES 5501	\$ 44,100
84-52-0018	35,847
Flathead Basin	12,989
State College Work Study	<u>107,857</u>
<u>Private</u>	
Seed Growers' Association	\$ 20,912
Rosebud County Commissioners	<u>30,177</u>
 TOTAL STATE GRANTS	 <u>\$ 1,585,795</u>

Contract NumberExpenditures
and DisbursementsOTHER GRANTS

Kain	\$ 7
DEAC 21 82 MC 19	8,573
CH2MHILL	22,436
BARD 013179	3,163
EAF	150
EAF	9,344
CIBA-GEIGY	781
EAF	250
Hill Task #841	496
Montana Heart Association	16,053
Various	34,856
Burlington Northern	25,000
Tetragenics	30
Various	5,225
EAF	3,550
District Feed Res. Co.	3,684
EAF	5,477
Johns Manville	200
School District #7	24,949
Custer	1,667
Northwest National Life	1,979
Various	3,943
Lilly	215
Hockett	2,480
Sherrick	2,452
Hoffman-Laroche	1,627
Gibson	4,088
Hyypa	2,062
Welsh	521
Wells	1,475
Burlington	6,002
Material Handlin	500
No 33214	1965
Munshower	949
Fees	1946
Ritchey	3,329
Sheep Foundation	4,305
EAF	14,308
Distellers Feed	3,230
Tetragenics	9,221
PO#SR2545	2,821
EAF	376
EAF	52,541
ZINPRO XOEP	3,242
Triangle Irrigat.	113
National Student Exchange	1,948
Morrill	3,568
Miles Labs	4,242
GW Sugar Commit.	979

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>OTHER GRANTS (cont.)</u>	
Seed Growers Association	\$ 839
Kellogg Foundation	4,677
Kellogg Foundation	1,325
Boone Crockett	1,966
Catlin	1,409
McKinesy	49,662
Utah	401
Various	2005
PO103956	7,108
Wiesner	1,442
Videon	4,750
Phillips	4,106
EAF	89,112
Kellogg Foundation	6,384
Tetragenics	4,715
PO A 13683	30,318
Decker No. 64	18,639
Chevron	4,071
Anderson	5,155
Lilly	38
Meyer Trust	15,710
IRBY	1,272
Eslick/Mille	40
PO NC 280810	59,032
ERF	48,156
Wells	935
King, F.	4,757
Hanson/Amend	20
Tetracgenics	4,714
ERF	665
15930-GB2	11,002
Garcia	7,329
Hart	3,238
Power Process In	5,639
FR G&C149	8,379
Potash Corporation	13,487
Knapp	363
Lockerman	39
Holen	12
TIF307740	771
McClure	718
Thiokol Corp.	7,357
C49550312 Nerco	22,416
Yellowstone Chemical	9,280
Scharen	2,442
American Malt Barley Association	3,210
PO 4 A205	1,525
Whitman	645
RDI	22,363
Characklis	201

Contract NumberExpenditures
and DisbursementsOTHER GRANTS (cont.)

NRI End Foundation	\$ 587
Various Companies	3,137
PRF 14460-G5	809
Hill Task #840	18,407
Hockett	2,927
Bergman	19,873
Stallknecht	6,140
Ditterline	3,340
Anderson	9,610
Wiesner	1,151
Foley	933
Northwest Area Foundation	21,257
Weisner	4,696
Proctor/Gamble	5,368
Weiss	11,152
Stallkencht	3,160
Res. & Development Inst.	14,450
American Colloid Company	7,816
12-14-100-2303	80
Welty	1,580
Stewart	766
Sanks	7,289
Butte Silver-Bow	288
Bergman, J.	4,686
Lang, T.	221
16612-AC-1	8,943
Upjohn	4,001
Miles Labs	5,508
Jackson	508
Western Energy	368
City of Helena	9,941
RDI	6,068
RDI	21,047
RDI	31,830
26000186 Joint	1,243
AMB Association	18,684
Fay	51,821
Helena School District #3	2,429
GTA	410
Hockett	170
CID-MSU-WM-02	66,240
Walter	437
EAF	156
Davis	306
RDI	4,651
Res Corporation	514
Cascade Company	239
RDI	274
SG-187	2,282
RDI	72

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>OTHER GRANTS (cont.)</u>	
Blue Cross	\$ 3,014
Hull	233
Norden Labs	4,540
Hilde Company	2,852
Colorado Serum Company	4,171
Montana Power	4,859
American Meat Inst.	2,804
Kain	9,625
E.I. Dupont	111
RDI	75,262
Tech Committee	11,242
ICARDA	11
Stockgrowers	223
Lilly Company	7,258
Sand Line	178
Western Energy	6,840
Mathre	12,292
American Home Economic Association	600
Various	33
P315 40100	35,002
Hovin	456
MAC0418595	20,010
Skogley	18
Res Corp.	8,324
GTR MT FDH	19,183
Worrest	2,220
American Cyanami	4,386
Myers	4,745
Gavlak/Baude	2,403
Allied Corp	487
Woodhull	310
Canadian Government	174
Montana Heart Association	1,365
Zortman	6,711
Robson	234
Kansas 8215	7,850
ERF	2,094
Brownson	2,124
Lewistown School District	98
RDI	1,260
Burlington Nothern	1,060
Anaconda	37
Upjohn	5,937
RDI	5,304
RDI	868
RM ELK FDN	1,301
CID MSU PCO-03	4,395
Colorado State University	3,843
Robson	19,101
RDI	965

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>OTHER GRANTS (cont.)</u>	
Audubon Society	\$ 24
Bergman	264
MSU UM 01	17,478
GMF	5,507
Mott 83-269	20,067
Various	1,628
Mint Council	991
RDI	163
Exxon	13,676
POEA3221 Boeing	13,419
FDFDM University of Arizona	32,054
GH3-11678S	25
MSU	1,469
Idaho F&G	3,140
Tech Committee	9,322
OSP#3569	1,966
S	2,467
RDI	41,232
Welsh	33,336
PVT Companies	14,428
MSU-WIDII-01	4,956
Various	509
MSU 1985 2	4,686
Ath. Sch. Assoc.	40,226
MCH	9,250
RDI	5,366
POT PHOS INST	6,804
Cascade City	2,543
Worley	2
MCH 8-1-1	497
Montana Power Company	124,519
CSU SUB 7557	6,207
Western Energy	16,628
Western Energy	10,586
Hunt	146
Montana Heart Association	35
McKinsey	5,142
Western Energy	11,693
Idaho	2,425
CID	7,658
Boeing GE0098	46
Faulkner/Wil	20,952
American Barley Association	20,701
U of C SUB 66019	33,099
9-X65-V2460	28,419
PO35034 Maimi	26
ENG	125
SERI XK404136-4	8,487
Story	1,191
T. Weaver	80

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>OTHER GRANTS (cont.)</u>	
FR784	\$ 1
Jackson	16,862
Stallknecht	749
Graham	646
Stewart	22,439
Gibson	2,087
Sharp	6,071
Bergman	1,674
Amend	22,450
Briggs	1,157
Catlin	4,245
Bellows	213
58202 #6	8,091
Proctor/Gamble	26,809
RDI	13,828
RDI	5,695
Hill Task #842	3,024
62015	154,099
58202 SUPP #7	2
NAACOG	263
EAF	600
EAF	1,302
EAF	95
Energoinvest	28,740
ECN 0026	152
Phillips Roxane	8,145
Various	9,559
	<hr/>
TOTAL OTHER GRANTS	<u>\$ 2,417,093</u>

MONTANA STATE UNIVERSITY
SCHEDULE OF GRANT EXPENDITURES DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 1984

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>FEDERAL GRANTS</u>	
<u>Department of Education</u>	
G008302783	\$ 33,838
G008102311	20,321
G008202081	549
00750V1058	9,738
G008101116	54,378
G008102047	25,113
G00831153	38
G008101025	39,564
6008005038	674
G008102311	40,786
G008004366	156,118
G008101025	172,882
G008004366	6,585
Pell	3,138,055
College Work-Study	691,260
NDSL Disbursements	1,318,682
Administrative and Collection Costs	52,079
SEOG	<u>249,381</u>
<u>Department of Interior</u>	
CX12009B035	\$ 144
IPA	49,677
CX-1200-2-B035	13,005
MT950-CTZ-9	415
14-10-2-920-13	345
141600091516#2	22,902
14160091516#5	2,850
14-06-600-614A	3,387
PX-1570-4-G003	3,300
PO-4C50-0100282	4,304
14-16-0006-84-92	3,129
Picton	3,757
1416000980015	4,776
CX-1200-2-B040	230
141600091516#4	5,627
Beattie	417
C50-C-1420-4669	<u>32,101</u>

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>Health and Human Services</u>	
5R23N517974-123	\$ 45,271
5R01AI1351205	21,366
90AD0012/01	7,719
1R01AM3351001	95,907
1R01GM3182401	111,814
2507RR0710006	1,012
5R01AI1794803	49,864
2503RR0309104	1,133
1501RR0172501	188,830
2503RR0309103	3,698
12 23 ES03254-01	15,722
5K04ES00063-3&4	38,188
1R01HD1744401	46,641
5D10NU28051-03	4,733
2ALL NU-00239-08	20,250
5G08LM0366802	5,903
5D23NU000125-05	15,883
1 R01 AI19089-01	65,790
2 A11NU00239-07	123
T01 MHA5898-04	2,125
5R01 ES02995-02	65,087
5G08LM03668-03	63,485
5K04AI00367123	21,666
1R01E50299501	11,388
2507RR07100234	3,997
1 506 RR08218-01	15,898
MIN BIOMED RES	18,494
Nursing Loan Disbursements	<u>120,244</u>
<u>U.S. Department of Agriculture</u>	
12-14-5001-42	\$ 155,575
58-9AHZ-3-42	125,154
58-32U4-3-631	12,239
Nielsen	2,550
USDA	8,034
22-C-3-INT-67	192
EED12170981712	13,557
Rust	37,836
22-C-2-INT-65	7,873
PNW-83-318	26,243
28-C2-204	7,675
PNW-83-316	9,000
58-9AHZ-2-687	1,745
53-0398-3DE-3	33,348
59010410903590	5,489
22-C-3-INT_66	472
22-C-2-INT-064	6,291
82CRSR21077	20,936
USDA SC5	11,379

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>U.S. Department of Agriculture (cont.)</u>	
USDA	\$ 1,295
22-C-4-INT-68	8,991
7059230112	6,991
83CRSR2-2319	12,041
28-C3-288	6,418
53-0385-3-2685	29,694
530343300682	12,933
PX12002G015	2,415
BARDUS33580	27,184
589AHZ1595	10,422
58519B11110	14,596
FROM G&C 706	3,703
22-C-2-INT-63	20,859
USDA SEA	923
58-32R6-3-202	12,378
58-9AHZ-3-724	1,451
12-11-204-12#56	6,758
USDA SEA	2,802
INT-81-062-CA	4,520
SEA	68,897
BARD 016379	1,693
579020261002A	8,918
USDA	4,322
SEA FORMULA 84	41,009
SEA	56,863
12-05-300-663	25,900
12-05-300-664	25,000
12-05-300-0699	2,086
12-05-300-567	9,272
12-05-300-439	3,253
Smith-Lever	1,792,892
Extension	399,955
Hatch	1,127,831
Regional	<u>535,381</u>
 <u>Department of Defense</u>	
N00014 84 K 0309	\$ 9,397
N0001480C0475	24,330
N0001484K0118	32,123
DAAG29-82-K-0127	63,338
AFOSR 80-0267	56,657
AFOSR-82-0267	<u>7,829</u>

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>Department of Energy</u>	
DEAC6581WP15430	\$ 56,804
DEAP1881FC23116	284
1-M001-C	17,334
L-K00LOC	18,027
DEAT0780ID1281	10,883
4-B001-C	<u>15,846</u>
 <u>National Aeronautics and Space Administration</u>	
NAS-9-16007	<u>\$ 1,874</u>
 <u>National Science Foundation</u>	
SPE-8320677	\$ 42
CPE 8404063	3
CPE-8017439	37,940
CEE 8318476	18,503
DMR7906892	71,297
CHE7916134	48,066
DMR-830946	184,205
INT 8211113	4,949
MEA-8011592	10,787
CHE-8119857	64,888
CPE 8200112	50,417
CHE 8306254	110,500
DEB-8023341	8,098
DMR-8205280	44,692
EAR-8305173	39,928
PRM 821500	16,160
NSF (PENDING)	28,854
PCM 8208393	47,576
CME-7901636	365
ATM 8209836	79,844
DMR-8205581	105,468
Schmidt	65
CPE8305152	17,361
BSN 8308209	7,278
PRM-8011449	50,572
FY 81 MONTS	<u>277,417</u>
 <u>Other Federal</u>	
UofC	\$ 8,729
CHPT 36, TITLE 38	1,165
SBA-1791-PMA-74	6,237
P01401505	3,269
Stover	16,359
PO HO 100408-10	4,166
589AHZ2677 CIMMY	3,394
DTFH61-82-P-4011	450
ES20653 82	6,731
DEAP1882FC24383	9,557

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>Other Federal (cont.)</u>	
GM21560-83 (NEH)	\$ 15,000
106-04	22,356
P0784828097	1,140
DEFG2282PC50787	50,118
82-ABA-02125	4,561
83-ABC-00095	12,393
RTAP 008	117,143
CA20604	18,688
106-05	50,871
186-83-3019	9,447
P0100614-10	4,883
TVA 1131-130	3,890
TVA 1131-131	18,931
IA 21198 19 G	78
CSRS-48W40	8,272
784-81-8023	61
DTFH61-40073	8,180
DAN1318A00404500	9,661
DSAN-C-0024	247,123
AID/DSANXIIG0161	65,144
TV-39645A	10,269
Pesticides	8,352
<u>WRRRC</u>	
Peavy	\$ 2,162
83/84/ WRRRC	73,876
820WRTWRRRC	904
<u>Department of Commerce</u>	
30-02-01053	\$ 1,241
<u>Environmental Protection Agency</u>	
X1149NNEX	\$ 1,014
PO-3B0880NAEX	5,936
R8-8304-14	22,000
R00831501	2,672
CR81001501	11,276
Pagenkopf	537
G008378830	2,080
CR811334-01	17,588
CR80724004	229,427
CR81001502	46,762
CR80947803	113,032
CR0810955-01	4,826
Williams	74,830
ERA PERS. ACT.	2
CR80593503	538
TOTAL FEDERAL GRANTS	<u>\$14,995,224</u>

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>STATE GRANTS</u>	
<u>Department of Agriculture</u>	
ST DEPT AG Bahn	\$ 2,215
Wheat Commission	
83MWRMC	14,752
84MWRMC	375,487
85MWRMC	<u>563</u>
<u>Department of Commerce</u>	
0229	\$ 34,782
MT DEPT COMM	32,795
McKinsey	<u>5,999</u>
<u>Department of Health</u>	
DHF540335 12056	<u>\$ 98</u>
<u>Department of Highways</u>	
Jennings	\$ 128,288
Gould	<u>1,922</u>
<u>Department of Natural Resources and Conservation</u>	
ED MSU 672	\$ 5,226
RAE-83-1025	41,871
WDG-84-5012	401
Nowierski	15,995
RAE-82-1017	5,426
WDG-84-5005	8,339
RAE-84-1038	1,840
RAE-84-1040	3,655
RAE-84-1039	2,962
RAE-83-1031	21,246
RAE-84-1043	7,631
ED-MCES-661	<u>5,582</u>
<u>Department of State Lands</u>	
MT950-CTO-30	\$ 5,184
Munshower	25,843
Dollhopf	20,876
Weaver	<u>13,073</u>
<u>Fish, Wildlife and Parks</u>	
Gould	\$ 12,866
Greer	890
Tweten	2,448
Irby	408
Giddings	4,978
Wood & Herr	10,682
Mackie 5602	<u>29,695</u>

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>Office of Public Instruction</u>	
Phillips	\$ 481
84-OPI C618	5,000
84-5703-05-23-22 C616	1,030
84-5703-05-25-17	4,795
84-5703-05-20-16	13,882
84-5703-05-20-22	2,472
84-5703-05-24-21	4,736
84-5703-05-19-17 H321	15,372
84-5703-05-23-22 C617	2,023
84-5703-05-24-22 T853	6,549
84-5703-05-24-21 T852	1,975
84-5703-05-23-21	3,149
84-5703-05-24-22	5,962
84-5703-05-23-16	4,789
84-5703-05-24-21 T851	1,770
84-5703-05-25-22 R413	6,340
84-5703-05-25-22 R414	1,946
83-5703-05-23-21	1,334
83-56-5703-05-2 TE	6,356
OPI R415	10,100
83-5703-05-23-21	1,056
83-5703-04-19-17 H22	3,507
83-56-5703-050-5	1,262
83-5703-05-25-22	145
84-56-5703-060 TE	9,742
84-56-5703-064 5	<u>5,720</u>
<u>Social and Rehabilitation Services</u>	
SRS CSD-90/IV-A	\$ 16,517
SRS MCG OAA-84	6,055
MCG AA 84	<u>3,481</u>
<u>Montana Arts Council</u>	
MAC 226 141 029	\$ 19,098
Jahnke	14,209
MAC 04-1764-4	18,124
MAC 05-1773-4	393
MAC 02-1753-4	500
MAC 02-1752-4	1,000
MAC 05-1775-4	<u>750</u>
<u>Montana Historical Society</u>	
308-7256-17B	\$ 26,268
SP 3012332-16-PHI	1,835
30-83-7256-19B	390
SP-30-7256-18B	<u>2,941</u>

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>Montana Committee for the Humanities</u>	
Sexson/Merrie	\$ 1,511
Andersen	8,648
7-3-26	3,333
Maskiell	2,881
7-3-58	21,812
7-3-80	1,221
Coffin	600
8-1-50	714
Cattin	<u>4,298</u>
<u>Department of Justice</u>	
Fabianic	<u>\$ 1,500</u>
<u>Commissioner of Higher Education</u>	
Kohl	<u>\$ 34</u>
<u>Bureau of Mines</u>	
Lageson	<u>\$ 3,140</u>
<u>Environmental Quality Council</u>	
SelCom Water MA	<u>\$ 2,765</u>
<u>Other</u>	
Tummala	\$ 5,249
RRD MAES 5501	5,684
84-52-0018	3,664
HB 469, Special Appropriation	1,488
POI-T841	1,427
MDQA Grain Utilization	3,188
State CWS	<u>57,455</u>
<u>Private</u>	
Seed Growers' Association	\$ 17,420
Rosebud County Commissioners	<u>29,762</u>
TOTAL STATE GRANTS	<u><u>\$ 1,254,866</u></u>

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
OTHER SOURCES	
DEAC 21 82 MC 19	\$ 124
SIGMAXI	303
Mentzer	200
BRAD 013179	4,593
EAF	4,849
EAF	44
CIBA-GEIGY	870
EAF	14
RDI	29
Unrestricted	51,636
EC-84-011816	3,914
Tatragenics	4,407
EAF	2,600
EAF	1,450
Dist. Fed Res. Co.	10,984
Diamond Shamrock	331
5 R Rust	34,098
School Dist. #7	23,197
Custer	1,085
Various	1,965
Lilly	1,116
Hockett	4,731
Sherrick	902
Fleming	312
Gibson	4,586
Hyypa	2,314
Welsh	300
Blackketter	1,001
Brownson	1,075
Stallknecht	19,170
RDI	16,993
NO 33214	9,937
Munshower	22,498
Fees	9,145
Speer	8,865
American Malting	3,000
PO#SR2545	299
Catlin	27,255
ZINPRO XOEP	2,896
Shannon	122
Traingle Irrigat.	1,555
Natinal Student Exchange	356
Morrill	4,992
Gilchrist	24
GW Sugar Commiit.	4,379
Seed Growers Association	1,640
Kellogg Foundation	9,917
Kellogg Foundation	1,415

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>OTHER SOURCES (cont.)</u>	
Tiahrt	\$ 504
Groenhout	22,804
Catlin	2,247
McKinsey	32,803
University of Miami	102
Kain	177
EAF	14,578
Kellogg Foundation	5,087
Optical Science Center	1,000
Carrol	469
EAF	16,000
RDI	22,583
Atlanta University	1,631
IRBY	958
Eslick/Mille	325
Sloan	223
ERF	62,976
Blackketter	2,362
King, F.	3,849
Hanson/Amend	140
Ritchey	604
ERF	3,479
IMMUNEX	9,495
NCEA	4,529
Fiscus	311
Hart	6,566
Kushnak	578
Anaconda Company	4
Patash Corporation	18,543
RDI (Cargill)	19,472
Busch	341
Knapp	638
Lockerman	1,149
Holen	674
Tif307740	663
McClure	1,389
Thiokol Corporation	15,690
3M	4,812
TCM 28320	3,360
Stallnecht	16
Whitman	2,634
RDI	6,258
Characklis	3,826
Various Companies	399
PRF 14460-G5	13,432
Cont. Grain Company	4,889
Scaife/EAF	201
Ditterline	299
Wiesner	569

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>OTHER SOURCES (cont.)</u>	
Cramer	\$ 802
Weisner	10,203
Proctor/Gamble	6,747
Resource & Development Institution	27,009
TCM 28312	458
12-14-100-2303	249
Stewart	2,239
Sanks	6,214
Butte Silver-Bow	198
Upjohn	47,479
Miles Lab	2,969
Western Energy	4,981
City of Helena	3,811
Econ Inc.	58
RDI	27,040
RDI	120,570
26000186 Joint	400
AMB Association	4,987
Fay	48,275
Anaconda Schools	307
GTA	71
Hockett	1,973
Texaco	23,024
Walter	78
Montana Power	41,268
Overby	50
U of O NW Coal	11,208
RDI	8,349
Res. Corporation	7,486
Chevron	767
RDI	6,542
SG-187	3,070
RDI	14,862
Westesen	898
Big Bud	496
Hull	118
Montana Power (EAF)	2,167
White Sulphur	997
Colorado Serum Company	7,924
American Meat Inst.	4,728
Gibson	1,294
North Cheyenne	2,802
E. I. Dupont	2,524
RDI	74,585
RDI	8,832
RDI	66
Blue Ribbon	1,948
Stockgrowers	4,777
Lilly Company	8,557

<u>Contract Number</u>	<u>Expenditures and Dibursments</u>
<u>OTHER SOURCES (cont.)</u>	
Sand Line	\$ 4,905
Western Energy	7,832
Mathre	5,775
Dow Chemical	106
Federation Fly	256
P315 40100	11,793
Hovin	3
Skogley	478
Res. Coporation	6,126
Gtr. Mt. Fdh.	32,961
American Cyanami	5,154
Myers	434
Ideal	23,235
Gavlak/Baude	422
Montana Heart Association	18,500
Young, S.	26,610
Young, S.	14,729
Montana Heart Association	10,995
Zortman	4,401
Robson	5,627
Kansas 8215	5,950
ERF	10,330
Royster Company	7,164
Brownson	2,575
Champion Int.	1,773
Dry Pea Association	2,157
Roundup Public 5	1,146
Anaconda	2,211
Upjohn	8,146
RDI	6,696
Calgon	3,775
CID MSU PCO-03	743
Colorado State University	4,907
Robson	32,178
RDI	7,255
Thomas	1,113
Bergman	3,394
MSU1351-01	18,107
MOTT 83-269	58
Dry Pea Association	934
Various	477
CSU SUBCONT 5-38	8,469
CSU SUBCONT 5-38	13,622
RDI	3,178
RDI	40,250
Black Butte	17,835
Exxon	24,050
EAF	3,986
POEA3221 Boeing	4,031

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>OTHER SOURCES (cont.)</u>	
FDFDM University of Arizona	\$ 35,277
GH3-116785	17,685
MSU	26,459
Res. Corporation 9510X	489
POEXX2181 (Boeing)	5,741
Anaconda	1,596
S	4,284
RDI	68,763
Burfening	40
Moss	945
Welsh	32,116
PVT Company	30,269
Weaver	1,784
Ath. Sch. Assoc.	58,838
Cascade City	12,258
Worley	878
Davis	2,721
MUE5C55833195824	100
MCH 8-1-1	7,154
MSU-WID-01	1,135
Montana Power	10,500
Montana Power	51,374
Munshower	66,992
CSU	18
Western Energy	12,939
Western Energy	9,084
Montana Heart Association	278
Center for Higher Education	4,700
MSUEGCP263007008	15,441
MSUEGCP263007008	6,291
Boeing GE098	3,063
Faulkner/Wil	23,228
Sub #224512	96
Sub #589055	4,916
Univ-Wyo	75
P035034 Miami	30,819
679	5,477
690	271
702	1,544
712	999
713	4,724
715	3,489
726	7,479
747	84
779	31,143
816	75
817	6,046
2912	20,748
58202 #6	159,904

<u>Contract Number</u>	<u>Expenditures and Disbursements</u>
<u>OTHER SOURCES (cont.)</u>	
58202 Supp #7	\$ 14,635
118209	348
145	11,940
150	386
155	20,215
156	37,192
164	5,041
144	88
146	3,473
148	1,770
815	<u>1,851</u>
TOTAL OTHER GRANTS	<u>\$ 2,483,703</u>

MONTANA STATE UNIVERSITY
SCHEDULE OF FULL-TIME EQUIVALENT (FTE) STUDENTS
FOR THE TWO YEARS ENDING JUNE 30, 1985

<u>Quarter</u>	<u>Year</u>	<u>Undergraduate, FTE's Reported¹</u>	<u>Graduate FTE's Reported²</u>	<u>Total³ FTE's</u>
Summer	1983	1,367	437	1,804
Autumn	1983	10,243	496	10,739
Winter	1984	9,918	490	10,408
Spring	1984	8,907	507	9,414
Summer	1984	1,275	429	1,704
Autumn	1984	9,821	466	10,287
Winter	1985	9,625	469	10,094
Spring	1985	8,472	500	8,973

¹Undergraduate quarterly credit hours divided by 15.

²Graduate quarterly credit hours divided by 12.

³Includes both Unrestricted and Restricted funded FTE's.

MONTANA AGRICULTURAL EXPERIMENT STATION
AUDITOR'S OPINION AND AGENCY FINANCIAL STATEMENTS

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122



SCOTT A. SEACAT
LEGISLATIVE AUDITOR

DEPUTY LEGISLATIVE AUDITORS:

JAMES GILLET
FINANCIAL COMPLIANCE AUDITS

JIM PELLEGRINI
PERFORMANCE AUDITS

LEGAL COUNSEL:

JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

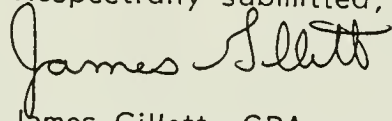
We have examined the accompanying Balance Sheets of the Agricultural Experiment Station (AES) at June 30, 1984 and June 30, 1985, and the related Statements of Changes in Fund Balances and Current Funds Revenues, Expenditures, and Other Changes for the two fiscal years ended June 30, 1985. Our examination was made in accordance with generally accepted auditing standards and Standards for Audits of Governmental Organizations, Programs, Activities, and Functions and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements presented are only for the Agricultural Experiment Station. Accordingly, the accompanying financial statements are not intended to present fairly the financial position of the state of Montana as of June 30, 1984 and 1985 or the results of its operations and changes in its fund balances for the two fiscal years then ended, in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly the financial position of the Agricultural Experiment Station at June 30, 1984 and June 30, 1985, the changes in fund balances, and the current funds revenue, expenditures, and other

changes for each of the two years ended June 30, 1985 in conformity with generally accepted accounting principles which have been applied on a consistent basis.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Gillett".

James Gillett, CPA
Deputy Legislative Auditor

February 14, 1986

AGRICULTURAL EXPERIMENT STATION
BALANCE SHEETS
Year Ended June 30, 1985

ASSETS

CURRENT FUNDS:

Unrestricted:

General operating:

Cash	\$ 710,535
Accounts receivable	101,367
Due from other fund groups	264
Investments (Note 2)	308,832

Total general operating 1,120,998

Designated:

Cash	227,957
Accounts receivable	1,700
Due from other fund groups	8,481

Total designated 238,138

Total unrestricted 1,359,136

Restricted:

Cash	85,951
Accounts receivable	385,737
Due from other fund groups	6,921
Investments (Note 2)	34,497

Total restricted 513,106

Total current funds \$ 1,872,242

PLANT FUNDS:

Unexpended:

Cash	\$ 13,233
Accounts receivable	20,103
Due from other fund groups	298
Investments (Note 2)	26,904
Total unexpended	<u>60,538</u>

Renewals and replacements:

Cash	2,003
Investments (Note 2)	103,650
Total renewals and replacements	<u>105,653</u>

Investment in plant:

Land and land improvements	1,378,525
Buildings	3,829,452
Equipment	4,771,098
Livestock	1,844,862
Total investment in plant	<u>11,823,937</u>

Total plant funds \$11,990,128

See notes to financial statements

LIABILITIES AND FUND BALANCES

CURRENT FUNDS:

Unrestricted:

General operating:

Accrued payroll	\$ 505,792
Accounts payable and accrued liabilities	216,983
Due to other fund groups	8,779
Compensated absences payable (Note 4)	1,037,106
Fund balance (Note 1)	<u>(647,662)</u>
Total general operating	<u>1,120,998</u>

Designated:

Accrued payroll	15,178
Accounts payable and accrued liabilities	38,944
Due to other fund groups	7,185
Compensated absences payable (Note 4)	5,372
Fund balance	<u>171,459</u>
Total designated	<u>238,138</u>

Total unrestricted	<u>1,359,136</u>
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Restricted:

Accrued payroll	4,764
Accounts payable and accrued liabilities	496,205
Compensated absences payable (Note 4)	6,445
Fund balance	5,692

Total restricted	<u>513,106</u>
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Total current funds	<u>\$ 1,872,242</u>
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PLANT FUNDS:

Unexpended:

Accrued payroll	\$ 735
Accounts payable and accrued liabilities	6,421
Fund balances	53,382
Total unexpended	<u>60,538</u>

Renewals and replacements:

Fund balance	105,653
Total renewals and replacements	<u>105,653</u>

Investment in plant:

Net investment in plant	11,823,937
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Total investment in plant	<u>11,823,937</u>
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Total plant funds	<u>\$11,990,128</u>
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AGRICULTURAL EXPERIMENT STATION
STATEMENT OF CHANGES IN FUND BALANCES
Year Ended June 30, 1985

	Current Funds		
	Unrestricted		
	General Operating	Designated	Restricted
Revenue and other additions:			
Current funds revenue	\$9,140,394	\$ 511,349	\$2,448,743
Miscellaneous income	-	-	-
Expended for plant facilities (including \$523,755 charged to current funds)	-	-	-
Total revenue and other additions	<u>9,140,394</u>	<u>511,349</u>	<u>2,448,743</u>
Expenditures and other deductions:			
Current funds expenditures	9,360,810	416,484	2,472,747
Expended for plant facilities (including \$10,298 non-capital expenditures)	-	-	-
Total expenditures and other deductions	<u>9,360,810</u>	<u>416,484</u>	<u>2,472,747</u>
Transfers among funds-additions (deductions):			
Voluntary:	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in fund balance	<u>(220,416)</u>	<u>94,865</u>	<u>(24,004)</u>
Fund balance at beginning of year as previously reported	<u>(449,092)</u>	<u>74,571</u>	<u>34,162</u>
Adjustments: (Note 1 & 4)			
Prior year revenues	32,129	867	897
Prior year expenditures	(3,474)	(61)	(5,090)
Compensated absences payable	(6,809)	1,217	(273)
Other	-	-	-
Total adjustments	<u>21,846</u>	<u>2,023</u>	<u>(4,466)</u>
Fund balances at beginning of year as adjusted	<u>(427,246)</u>	<u>76,594</u>	<u>29,696</u>
Fund balances at end of year	<u>\$ (647,662)</u>	<u>\$ 171,459</u>	<u>\$ 5,692</u>

See notes to financial statements

Plant Funds

<u>Unexpended</u>	<u>Renewals and Replacements</u>	<u>Investment in Plant</u>
\$ -	\$ -	\$ -
64,128	18,971	-
-	-	609,200
64,128	18,971	609,200
-	-	-
85,963	9,780	-
85,963	9,780	-
-	-	-
-	-	-
(21,835)	9,191	609,200
75,783	96,462	12,117,752
-	-	-
(566)	-	-
-	-	-
-	-	(903,015)
(566)	-	(903,015)
75,217	96,462	11,214,737
\$ 53,382	\$ 105,653	\$ 11,823,937

MONTANA AGRICULTURAL EXPERIMENT STATION
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
Year Ended June 30, 1985

	<u>Unrestricted</u>		<u>Restricted</u>	<u>Total</u>
	<u>General</u>	<u>Designated</u>		
	<u>Operating</u>			
Revenues:				
Federal appropriations	\$1,757,239	\$ -	\$ -	\$ 1,757,239
State appropriations	5,930,543	-	71,212	6,001,755
Fed. grants and contracts	-	-	1,052,016	1,052,016
State grants and contracts	-	-	454,445	454,445
Private grants and con- tracts	-	-	888,378	888,378
Sales and service of educational activities	1,380,008	-	-	1,380,008
Other sources	72,604	511,349	6,696	590,649
. Total revenues	<u>9,140,394</u>	<u>511,349</u>	<u>2,472,747</u>	<u>12,124,490</u>
Expenditures:				
Research	8,489,984	-	2,459,860	10,949,844
Institutional support	749,399	-	-	749,399
Operation and maintenance of plant	121,427	-	-	121,427
Other	-	416,484	12,887	429,371
Total expenditures	<u>9,360,810</u>	<u>416,484</u>	<u>2,472,747</u>	<u>12,250,041</u>
Transfers and other additions (deductions):				
Transfers	-	-	-	-
Deficit of restricted receipts over transfers to revenue	<u>-</u>	<u>-</u>	<u>(24,004)</u>	<u>(24,004)</u>
Net increase (decrease) in fund balance	<u>\$ (220,416)</u>	<u>\$ 94,865</u>	<u>\$ (24,004)</u>	<u>\$ (149,555)</u>

See notes to financial statements

MONTANA AGRICULTURAL EXPERIMENT STATION

NOTES TO FINANCIAL STATEMENTS

June 30, 1985

1. Summary of significant accounting policies

Related parties:

Montana State University, Montana Agricultural Experiment Station and Montana Cooperative Extension Service are related through common management and control; however, they are separate and distinct agencies and they receive separate federal and state appropriations. These agencies have certain related party transactions, including sharing office facilities, management and accounting and office services. The accounts of Montana State University and Montana Cooperative Extension Service have not been included in the accompanying financial statements.

Financial statements:

The accompanying financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles for colleges and universities except as noted hereafter.

The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period and does not purport to present the results of operations or the net income or loss for the period.

Fund balance for unrestricted general operating funds includes \$20,501 allocated for encumbrances and \$368,943 prior period revenue overage netted to the unfunded liability of \$1,037,106 for compensated absences payable.

Fund accounting:

The accounts of the Station are maintained in accordance with the principles of fund accounting wherein resources are classified for accounting purposes into funds that are identified by the limitations and restrictions placed upon their use. Separate accounts are maintained for each fund, however, accounts with common characteristics are combined into groups and reflected as such in the accompanying financial statements.

Plant and equipment:

At June 30, 1985 investment in plant was adjusted \$903,015 to reflect the totals in the property control subsidiaries. Livestock is carried at current market value and any differences from the prior years values are reflected in this adjustment. Livestock is purchased and raised for experimental purposes; the revenues from livestock sales are recorded in the general operating fund, except when a breeding animal is sold and is expected to be replaced; then sales proceeds are recorded in designated funds and used for replacements as needed.

MONTANA AGRICULTURAL EXPERIMENT STATION

NOTES TO FINANCIAL STATEMENTS

June 30, 1985

1. Summary of significant accounting policies (continued)

Depreciation:

No provision has been made for depreciation of plant facilities in accordance with generally accepted accounting principles for colleges and universities.

Allowance of Bad Debts:

An allowance for bad debts has not been recorded. Losses from bad debts are recorded as adjustments to revenue in the year in which they are deemed uncollectable.

Allocated for encumbrances:

The Station records encumbrances as expenditures in conformance with the Statewide Budgeting and Accounting System.

At June 30, 1985, the Station had encumbered \$20,501 of funds that are not included in expenditures in the accompanying financial statements. The accrual basis of accounting provides that expenditures include only amounts associated with goods and services received and that liabilities include only the unpaid amounts associated with such transactions.

Investments:

Investments are carried at cost, which approximate market value at June 30, 1985.

2. Investments

Investments at June 30, 1985 consist of the following:

	<u>Cost</u>
Montana short-term investment pool	\$ 473,883
	<u>\$ 473,883</u>

Investments at June 30, 1985 are owned by the following funds:

Current funds:

General operating	\$ 308,832
Restricted	34,497

Plant funds:

Unexpended	26,904
Renewals and replacements	103,650
	<u>\$ 473,883</u>

MONTANA AGRICULTURAL EXPERIMENT STATION

NOTES TO FINANCIAL STATEMENTS

June 30, 1985

3. Retirement plans

All of the Station's full-time employees are members of the Montana Public Employees Retirement System or the Montana Teachers Retirement System. Employer contributions to these systems, which were determined to be actuarially sound by the most recent biennial valuations, totaled \$363,744 for the year ended June 30, 1985.

4. Commitments and contingencies

Compensated absences payable:

As of December 31 of each year, employees can accumulate vacation leave up to twice the number of leave days earned annually and sick leave can be accumulated without limitation. Upon termination, the employee is paid the accumulated vacation leave and 25% of the accumulated sick leave. Vacation and sick leave payments are recorded as an expenditure at the time they are paid to the employee.

Due to system limitations, the change in the compensated absences payable amount is stated as an adjustment and not identified with the fiscal period earned or utilized by the employee.

Leases:

The Station reserves the right to limit the amount of expenditures associated with lease contracts without penalty when in the sole judgment of the Station annual funding or program changes necessitate. Capital lease agreements for various purposes and time periods totaling \$34,331 at June 30, 1985 are not added to net investment in plant and not deemed to be material to the overall consolidated financial position of the Station.

AGRICULTURAL EXPERIMENT STATION
BALANCE SHEETS
Year Ended June 30, 1984

ASSETS

CURRENT FUNDS:

Unrestricted:

General operating:

Cash	\$ 729,957
Accounts receivable	79,263
Due from other fund groups	1,691
Investments (Note 2)	477,977

Total general operating	<u>1,288,888</u>
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Designated:

Cash	25,154
Accounts receivable	2,772
Due from other fund groups	70,558

Total designated	<u>98,484</u>
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Total unrestricted	<u>1,387,372</u>
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Restricted:

Cash	82,089
Accounts receivable	426,222
Investments (Note 2)	61,196

Total restricted	<u>569,507</u>
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Total current funds	<u>\$ 1,956,879</u>
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PLANT FUNDS:

Unexpended:

Cash	\$ 28,824
Accounts receivable	1,193
Due from other fund groups	6,492
Investments (Note 2)	47,972
Total unexpended	<u>84,481</u>

Renewals and replacements:

Cash	3,544
Accounts receivable	15,080
Investments (Note 2)	77,838
Total renewals and replacements	<u>96,462</u>

Investment in plant:

Land and land improvements	1,367,767
Buildings	3,710,845
Equipment	4,483,388
Livestock	2,555,752
Total investment in plant	<u>12,117,752</u>

Total plant funds	<u>\$12,298,695</u>
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See notes to financial statements

LIABILITIES AND FUND BALANCES

CURRENT FUNDS:

Unrestricted:

General operating:

Accrued payroll	\$ 436,633
Accounts payable and accrued liabilities	195,203
Due to other fund groups	75,847
Compensated absences payable (Note 4)	1,030,297
Fund balance (Note 1)	(449,092)
Total general operating	<u>1,288,888</u>

Designated:

Accrued payroll	8,831
Accounts payable and accrued liabilities	8,384
Due to other fund groups	109
Compensated absences payable (Note 4)	6,589
Fund balance	74,571
Total designated	<u>98,484</u>

Total unrestricted	<u>1,387,372</u>
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Restricted:

Accrued payroll	90,925
Accounts payable and accrued liabilities	437,045
Due to other fund groups	1,203
Compensated absences payable (Note 4)	6,172
Fund balance	34,162
Total restricted	<u>569,507</u>

Total current funds	<u>\$ 1,956,879</u>
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PLANT FUNDS:

Unexpended:

Accrued payroll	\$ 949
Accounts payable and accrued liabilities	6,167
Due to other fund groups	1,582
Fund balances	75,783
Total unexpended	<u>84,481</u>

Renewals and replacements:

Fund balance	96,462
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Total renewals and replacements	<u>96,462</u>
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Investment in plant:

Net investment in plant	12,117,752
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Total investment in plant	<u>12,117,752</u>
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Total plant funds	<u>\$12,298,695</u>
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AGRICULTURAL EXPERIMENT STATION
STATEMENT OF CHANGES IN FUND BALANCES
Year Ended June 30, 1984

	Current Funds		
	Unrestricted		
	General Operating	Designated	Restricted
Revenue and other additions:			
Current funds revenue	\$8,904,759	\$ 562,861	\$2,313,502
Miscellaneous income	-	-	-
Expended for plant facilities (including \$392,881 charged to current funds)	-	-	-
Total revenue and other additions	<u>8,904,759</u>	<u>562,861</u>	<u>2,313,502</u>
Expenditures and other deductions:			
Current funds expenditures	9,125,578	420,873	2,256,397
Expended for plant facilities (including \$14,231 non-capital expenditures)	-	-	-
Total expenditures and other deductions	<u>9,125,578</u>	<u>420,873</u>	<u>2,256,397</u>
Transfers among funds-additions (deductions):			
Voluntary:	<u>37,973</u>	-	-
Total transfers	<u>37,973</u>	-	-
Net increase (decrease) in fund balance	<u>(182,846)</u>	<u>141,988</u>	<u>57,105</u>
Fund balance at beginning of year as previously reported	<u>740,513</u>	<u>(61,226)</u>	<u>43,686</u>
Adjustments: (Note 1 & 4)			
Prior year revenues	178	48	(13,966)
Prior year expenditures	23,360	350	(46,491)
Compensated absences payable	(1,030,297)	(6,589)	(6,172)
Other	-	-	-
Total adjustments	<u>(1,006,759)</u>	<u>(6,191)</u>	<u>(66,629)</u>
Fund balances at beginning of year as adjusted	<u>(266,246)</u>	<u>(67,417)</u>	<u>(22,943)</u>
Fund balances at end of year	<u>\$ (449,092)</u>	<u>\$ 74,571</u>	<u>\$ 34,162</u>

See notes to financial statements

Plant Funds		
<u>Unexpended</u>	<u>Renewals and Replacements</u>	<u>Investment in Plant</u>
\$ -	\$ -	\$ -
192,180	27,025	-
-	-	544,089
192,180	27,025	544,089
-	-	-
164,443	996	-
164,443	996	-
(37,973)	-	-
(37,973)	-	-
(10,236)	26,029	544,089
88,896	70,433	11,294,237
(2,896)	-	-
19	-	-
-	-	-
-	-	279,426
(2,877)	-	279,426
86,019	70,433	11,573,663
\$ 75,783	\$ 96,462	\$ 12,117,752

MONTANA AGRICULTURAL EXPERIMENT STATION
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
Year Ended June 30, 1984

	<u>Unrestricted</u>		<u>Restricted</u>	<u>Total</u>
	<u>General</u>	<u>Designated</u>		
	<u>Operating</u>			
Revenues:				
Federal appropriations	\$1,663,210	\$ -	\$ -	\$ 1,663,210
State appropriations	5,660,387	-	77,969	5,738,356
Fed. grants and contracts	-	-	842,613	842,613
State grants and contracts	-	-	436,788	436,788
Private grants and con- tracts	-	-	892,648	892,648
Sales and service of educational activities	1,487,298	-	-	1,487,298
Other sources	93,864	562,861	6,379	663,104
Total revenues	<u>8,904,759</u>	<u>562,861</u>	<u>2,256,397</u>	<u>11,724,017</u>
Expenditures:				
Research	8,301,419	-	2,244,976	10,546,395
Institutional support	711,212	-	-	711,212
Operation and maintenance of plant	112,947	-	-	112,947
Other	-	420,873	11,421	432,294
Total expenditures	<u>9,125,578</u>	<u>420,873</u>	<u>2,256,397</u>	<u>11,802,848</u>
Transfers and other additions (deductions):				
Transfers	37,973	-	-	37,973
Excess of restricted receipts over transfers to revenue	-	-	57,105	57,105
Net increase (decrease) in fund balance	<u>\$ (182,846)</u>	<u>\$ 141,988</u>	<u>\$ 57,105</u>	<u>\$ 16,247</u>

See notes to financial statements

MONTANA AGRICULTURAL EXPERIMENT STATION

NOTES TO FINANCIAL STATEMENTS

June 30, 1984

1. Summary of significant accounting policies

Related parties:

Montana State University, Montana Agricultural Experiment Station and Montana Cooperative Extension Service are related through common management and control; however, they are separate and distinct agencies and they receive separate federal and state appropriations. These agencies have certain related party transactions, including sharing office facilities, management and accounting and office services. The accounts of Montana State University and Montana Cooperative Extension Service have not been included in the accompanying financial statements.

Financial statements:

The accompanying financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles for colleges and universities except as noted hereafter.

The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period and does not purport to present the results of operations or the net income or loss for the period.

Fund balance for unrestricted general operating funds includes \$39,334 allocated for encumbrances and \$541,871 prior period revenue overage netted to the unfunded liability of \$1,030,297 for compensated absences payable.

Fund accounting:

The accounts of the Station are maintained in accordance with the principles of fund accounting wherein resources are classified for accounting purposes into funds that are identified by the limitations and restrictions placed upon their use. Separate accounts are maintained for each fund, however, accounts with common characteristics are combined into groups and reflected as such in the accompanying financial statements.

Plant and equipment:

At June 30, 1984 investment in plant was adjusted \$279,426 to reflect the totals in the property control subsidiaries. Livestock is carried at current market value and any differences from the prior years values are reflected in this adjustment. Livestock is purchased and raised for experimental purposes; the revenues from livestock sales are recorded in the general operating fund, except when a breeding animal is sold and is expected to be replaced; then sales proceeds are recorded in designated funds and used for replacements as needed.

MONTANA AGRICULTURAL EXPERIMENT STATION

NOTES TO FINANCIAL STATEMENTS

June 30, 1984

1. Summary of significant accounting policies (continued)

Depreciation:

No provision has been made for depreciation of plant facilities in accordance with generally accepted accounting principles for colleges and universities.

Allowance of Bad Debts:

An allowance for bad debts has not been recorded. Losses from bad debts are recorded as adjustments to revenue in the year in which they are deemed uncollectable.

Allocated for encumbrances:

The Station records encumbrances as expenditures in conformance with the Statewide Budgeting and Accounting System.

At June 30, 1984, the Station had encumbered \$39,334 of funds that are not included in expenditures in the accompanying financial statements. The accrual basis of accounting provides that expenditures include only amounts associated with goods and services received and that liabilities include only the unpaid amounts associated with such transactions.

Investments:

Investments are carried at cost, which approximate market value at June 30, 1984.

2. Investments

Investments at June 30, 1984 consist of the following:

	<u>Cost</u>
Montana short-term investment pool	\$ 664,983
	<u>\$ 664,983</u>

Investments at June 30, 1984 are owned by the following funds:

Current funds:	
General operating	\$ 477,977
Restricted	61,196
Plant funds:	
Unexpended	47,972
Renewals and replacements	77,838
	<u>\$ 664,983</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 1984

3. Retirement plans

All of the Station's full-time employees are members of the Montana Public Employees Retirement System or the Montana Teachers Retirement System. Employer contributions to these systems, which were determined to be actuarially sound by the most recent biennial valuations, totaled \$354,509 for the year ended June 30, 1984.

4. Commitments and contingencies

Compensated absences payable:

As of December 31 of each year, employees can accumulate vacation leave up to twice the number of leave days earned annually and sick leave can be accumulated without limitation. Upon termination, the employee is paid the accumulated vacation leave and 25% of the accumulated sick leave. Vacation and sick leave payments are recorded as an expenditure at the time they are paid to the employee.

Previous financial reports have disclosed the leave liability only as a footnote. In accordance with generally accepted accounting principles the liability as of June 30, 1984 has been recorded for the first time in the applicable fund groups.

Leases:

The Station reserves the right to limit the amount of expenditures associated with lease contracts without penalty when in the sole judgment of the Station annual funding or program changes necessitate. Capital lease agreements for various purposes and time periods totaling \$243,229 at June 30, 1984 are not added to net investment in plant and not deemed to be material to the overall consolidated financial position of the Station.

MONTANA COOPERATIVE EXTENSION SERVICE
AUDITOR'S OPINION AND AGENCY FINANCIAL STATEMENTS

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122



SCOTT A. SEACAT
LEGISLATIVE AUDITOR

DEPUTY LEGISLATIVE AUDITORS:

JAMES GILLET
FINANCIAL COMPLIANCE AUDITS

JIM PELLEGRINI
PERFORMANCE AUDITS

LEGAL COUNSEL:

JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

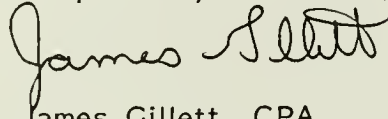
We have examined the accompanying Balance Sheets of the Cooperative Extension Service (CES) at June 30, 1984 and June 30, 1985, and the related Statements of Changes in Fund Balances and Current Funds Revenues, Expenditures, and Other Changes for each of the two fiscal years ended June 30, 1985. Our examination was made in accordance with generally accepted auditing standards and Standards for Audits of Governmental Organizations, Programs, Activities, and Functions and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements presented are only for the Cooperative Extension Service. Accordingly, the accompanying financial statements are not intended to present fairly the financial position of the state of Montana as of June 30, 1984 and 1985 or the results of its operations and changes in its fund balances for the two fiscal years then ended, in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly the financial position of the Cooperative Extension Service at June 30, 1984 and June 30, 1985, the changes in fund balances, and the current funds revenue, expenditures, and other

changes for each of the two years ended June 30, 1985, in conformity with generally accepted accounting principles which have been applied on a consistent basis.

Respectfully submitted,

A handwritten signature in cursive script that reads "James Gillett". The signature is written in dark ink and is positioned above the printed name.

James Gillett, CPA
Deputy Legislative Auditor

February 14, 1986

MONTANA COOPERATIVE EXTENSION SERVICE
BALANCE SHEETS
Year Ended June 30, 1985

ASSETS

CURRENT FUNDS:

Unrestricted:

General operating	\$220,803
Cash	170
Accounts receivable	6,746
Due from other fund groups	

Total general operating 227,719

Designated:

Cash	208,208
Accounts receivable	80,913
Due from other fund groups	17,021
Inventories	95,692

Total designated 401,834

Total unrestricted 629,553

Restricted:

Cash	64,668
Accounts receivable	23,330
Investments (Note 2)	1,513

Total restricted 89,511

Total current funds \$719,064

PLANT FUNDS

Investment in plant:

Buildings	\$ 44,508
Equipment	707,178

Total plant funds \$751,686

See notes to financial statements

LIABILITIES AND FUND BALANCES

CURRENT FUNDS:

Unrestricted:

General operating:

Accrued payroll	\$246,310
Accounts payable and accrued liabilities	88,997
Due to other fund groups	13,888
Compensated absences payable (Note 4)	774,071
Fund balance (Note 1)	<u>(895,547)</u>
Total general operating	<u>227,719</u>

Designated:

Accrued payroll	25,613
Accounts payable and accrued liabilities	38,929
Due to other fund groups	9,548
Compensated absences payable (Note 4)	50,228
Fund balance	<u>277,516</u>
Total designated	<u>401,834</u>

Total unrestricted	<u>629,553</u>
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Restricted:

Accrued payroll	26,375
Accounts payable and accrued liabilities	39,581
Due to other fund groups	331
Compensated absences payable (Note 4)	29,682
Fund balance (Note 1)	<u>(6,458)</u>
Total restricted	<u>89,511</u>

Total current funds	<u>\$719,064</u>
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PLANT FUNDS:

Investment in plant:

Net investment in plant	<u>\$751,686</u>
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Total plant funds	<u>\$751,686</u>
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MONTANA COOPERATIVE EXTENSION SERVICE
STATEMENT OF CHANGES IN FUND BALANCES
Year Ended June 30, 1985

	<u>Unrestricted</u>			<u>Plant Funds</u>
	<u>General</u>	<u>Designated</u>	<u>Restricted</u>	<u>Investment</u>
	<u>Operating</u>			<u>in Plant</u>
Revenues and other additions:				
Current funds revenue	\$4,074,287	\$ 671,125	\$ 768,664	\$ -
Expended for plant facilities (including \$105,602 charged to current funds expenditure)	-	-	-	105,602
Total revenues and other additions	<u>4,074,287</u>	<u>671,125</u>	<u>768,664</u>	<u>105,602</u>
Expenditures and other deductions:				
Current funds expenditures	<u>4,169,021</u>	<u>658,910</u>	<u>759,347</u>	-
Total expenditures and other deductions	<u>4,169,021</u>	<u>658,910</u>	<u>759,347</u>	-
Net increase (decrease) for the year	<u>(94,734)</u>	<u>12,215</u>	<u>9,317</u>	<u>105,602</u>
Fund balances at beginning of year as previously reported	<u>(699,251)</u>	<u>276,997</u>	<u>(25,497)</u>	<u>759,767</u>
Adjustments: (Note 1 & 4)				
Prior year revenues	-	1,261	921	-
Prior year expenditures	(43,058)	(7,198)	(3,571)	-
Compensated absences payable	(58,504)	(5,759)	12,372	-
Other	-	-	-	(113,683)
Total adjustments	<u>(101,562)</u>	<u>(11,696)</u>	<u>9,722</u>	<u>(113,683)</u>
Fund balance at beginning of year as adjusted	<u>(800,813)</u>	<u>265,301</u>	<u>(15,775)</u>	<u>646,084</u>
Fund balance at end of year	<u>\$ (895,547)</u>	<u>\$ 277,516</u>	<u>\$ (6,458)</u>	<u>\$ 751,686</u>

See notes to financial statements

MONTANA COOPERATIVE EXTENSION SERVICE
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
Year Ended June 30, 1985

	<u>Unrestricted</u>		<u>Restricted</u>	<u>Total</u>
	<u>General Operating</u>	<u>Designated</u>		
Revenues:				
Federal appropriations	\$ 1,889,314	\$ -	\$ 384,116	\$2,273,430
State appropriations	2,184,973	-	49,908	2,234,881
Federal grants and contracts	-	-	166,176	166,176
State grants and contracts	-	-	84,173	84,173
Local grants and contracts	-	-	29,581	29,581
Private gifts, grants and contracts	-	-	35,397	35,397
Other sources	-	671,125	9,996	681,121
Total revenues	<u>4,074,287</u>	<u>671,125</u>	<u>759,347</u>	<u>5,504,759</u>
Expenditures:				
Public service	3,198,364	-	757,260	3,955,624
Institutional support	923,741	-	2,087	925,828
Operation and maintenance of plant	46,916	-	-	46,916
Other	-	658,910	-	658,910
Total expenditures	<u>4,169,021</u>	<u>658,910</u>	<u>759,347</u>	<u>5,587,278</u>
Transfers and other additions (deductions):				
Excess of restricted receipts over transfers to revenue	-	-	9,317	9,317
Net increase (decrease) in fund balances	<u>\$ (94,734)</u>	<u>\$ 12,215</u>	<u>\$ 9,317</u>	<u>\$ (73,202)</u>

See notes to financial statements

MONTANA COOPERATIVE EXTENSION SERVICE

NOTES TO FINANCIAL STATEMENTS

June 30, 1985

1. Summary of significant accounting policies

Related parties:

Montana State University, Montana Agricultural Experiment Station and Montana Cooperative Extension Service are related through common management and control; however, they are separate and distinct agencies and they receive separate federal and state appropriations. These agencies have certain related-party transactions, including sharing office facilities, management, and accounting and office services. The accounts of Montana Agricultural Experiment Station and Montana State University have not been included in the accompanying financial statements.

Financial statements:

The accompanying financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles for colleges and universities except as noted hereafter.

The statement of current funds revenues and expenditures is a statement of financial activities of current funds related to the current reporting period and does not purport to present the results of operations or the net income or loss for the period.

Fund balance for unrestricted general operating funds includes \$121,476 prior period revenue shortage combined with the unfunded liability of \$774,071 for compensated absences payable. Fund balance for restricted current funds includes \$23,224 of unearned revenue netted to the unfunded liability of \$29,682 for compensated absences payable.

Fund accounting:

The accounts of the Service are maintained in accordance with the principles of fund accounting wherein resources are classified for accounting purposes into funds that are identified by the limitations and restrictions placed upon their use. Separate accounts are maintained for each fund, however, accounts with common characteristics are combined into groups and reflected as such in the accompanying financial statements.

Inventory:

Inventory of paper and supplies are valued at cost (first-in, first-out method).

Plant and equipment:

At June 30, 1985, investment in plant was adjusted \$113,683 to reflect the totals in the property control subsidiaries.

MONTANA COOPERATIVE EXTENSION SERVICE

NOTES TO FINANCIAL STATEMENTS

June 30, 1985

1. Summary of significant accounting policies (continued)

Depreciation:

No provision has been made for depreciation of plant facilities in accordance with generally accepted accounting principles for colleges and universities.

Allowance for Bad Debts:

An allowance for bad debts has not been recorded. Losses from bad debts are recorded as adjustments to revenue in the year in which they are deemed uncollectable.

2. Investments

Investments are carried at cost, which approximates market value; at June 30, 1985, investments consist of the following:

Montana short-term investment pool	Cost
	<u>\$1,513</u>
	<u>\$1,513</u>

Investments at June 30, 1985, are owned by the following fund:

Current funds:

Restricted	<u>\$1,513</u>
	<u>\$1,513</u>

3. Retirement plans

All of the Service's full-time employees are members of the Montana Public Employees Retirement System, Montana Teachers Retirement System or the U.S. Civil Service Retirement System. Employer contributions to these plans totaled \$308,371 for the year ended June 30, 1985. The State of Montana retirement plans were determined to be actually sound by the most recent biennial valuations.

4. Commitments and contingencies

Compensated absences payable:

As of December 31 of each year, employees can accumulate vacation leave up to twice the number of leave days earned annually and sick leave can be accumulated without limitation. Upon termination, the employee is paid the accumulated vacation leave and 25% of the accumulated sick leave. Vacation and sick leave payments are recorded as an expenditure at the time they are paid to the employee.

Due to system limitations, the change in the compensated absences payable amount is stated as an adjustment and not identified with the fiscal period earned or utilized by the employee.

MONTANA COOPERATIVE EXTENSION SERVICE

NOTES TO FINANCIAL STATEMENTS

June 30, 1985

4. Commitments and contingencies (continued)

Leases:

The Service reserves the right to limit the amount of expenditures associated with lease contracts without penalty when in the sole judgment of the Service annual funding or program changes necessitate. Capital lease agreements for various purposes and time periods totaling \$885, at June 30, 1985, are not added to net investment in plant and not deemed to be material to the overall financial position of the Service.

MONTANA COOPERATIVE EXTENSION SERVICE
BALANCE SHEETS
Year Ended June 30, 1984

ASSETS

CURRENT FUNDS:

Unrestricted:

General operating

Cash	\$283,836
Accounts receivable	96
Due from other fund groups	4,119

Total general operating	<u>288,051</u>
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Designated:

Cash	219,009
Accounts receivable	50,376
Due from other fund groups	4,593
Inventories	111,608

Total designated	<u>385,586</u>
------------------	----------------

Total unrestricted	<u>673,637</u>
--------------------	----------------

Restricted:

Cash	62,468
Accounts receivable	22,944
Due from other fund groups	6,048
Investments (Note 2)	951

Total restricted	<u>92,411</u>
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Total current funds	<u>\$766,048</u>
---------------------	------------------

PLANT FUNDS

Investment in plant:

Buildings	\$ 34,152
Equipment	725,615

Total plant funds	<u>\$759,767</u>
-------------------	------------------

See notes to financial statements

LIABILITIES AND FUND BALANCES

CURRENT FUNDS:

Unrestricted:

General operating:

Accrued payroll	\$229,142
Accounts payable and accrued liabilities	32,750
Due to other fund groups	9,843
Compensated absences payable (Note 4)	715,567
Fund balance (Note 1)	<u>(699,251)</u>
Total general operating	<u>288,051</u>

Designated:

Accrued payroll	22,349
Accounts payable and accrued liabilities	38,760
Due to other fund groups	3,011
Compensated absences payable (Note 4)	44,469
Fund balance	<u>276,997</u>
Total designated	<u>385,586</u>

Total unrestricted	<u>673,637</u>
--------------------	----------------

Restricted:

Accrued payroll	40,004
Accounts payable and accrued liabilities	33,942
Due to other fund groups	1,908
Compensated absences payable (Note 4)	42,054
Fund balance (Note 1)	<u>(25,497)</u>
Total restricted	<u>92,411</u>

Total current funds	<u>\$766,048</u>
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PLANT FUNDS:

Investment in plant:

Net investment in plant	\$759,767
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Total plant funds	<u>\$759,767</u>
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MONTANA COOPERATIVE EXTENSION SERVICE
STATEMENT OF CHANGES IN FUND BALANCES
Year Ended June 30, 1984

	<u>Unrestricted</u>			<u>Plant Funds</u>
	<u>General</u>	<u>Designated</u>	<u>Restricted</u>	<u>Investment</u>
	<u>Operating</u>			<u>in Plant</u>
Revenues and other additions:				
Current funds revenue	\$3,930,466	\$ 643,619	\$ 752,072	\$ -
Expended for plant facilities (including \$52,198 charged to current funds expenditure)	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,198</u>
Total revenues and other additions	<u>3,930,466</u>	<u>643,619</u>	<u>752,072</u>	<u>52,198</u>
Expenditures and other deductions:				
Current funds expenditures	<u>3,886,124</u>	<u>617,440</u>	<u>756,545</u>	<u>-</u>
Total expenditures and other deductions	<u>3,886,124</u>	<u>617,440</u>	<u>756,545</u>	<u>-</u>
Net increase (decrease) for the year	<u>44,342</u>	<u>26,179</u>	<u>(4,473)</u>	<u>52,198</u>
Fund balances at beginning of year as previously reported	<u>2,995</u>	<u>326,891</u>	<u>32,761</u>	<u>631,785</u>
Adjustments: (Note 1 & 4)				
Prior year revenues	(1,897)	(3,627)	(5,206)	-
Prior year expenditures	(29,124)	(27,977)	(6,525)	-
Compensated absences payable	(715,567)	(44,469)	(42,054)	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,784</u>
Total adjustments	<u>(746,588)</u>	<u>(76,073)</u>	<u>(53,785)</u>	<u>75,784</u>
Fund balance at beginning of year as adjusted	<u>(743,593)</u>	<u>250,818</u>	<u>(21,024)</u>	<u>707,569</u>
Fund balance at end of year	<u>\$ (699,251)</u>	<u>\$ 276,997</u>	<u>\$ (25,497)</u>	<u>\$ 759,767</u>

See notes to financial statements

MONTANA COOPERATIVE EXTENSION SERVICE
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
Year Ended June 30, 1984

	<u>Unrestricted</u>		<u>Restricted</u>	<u>Total</u>
	<u>General</u>	<u>Designated</u>		
	<u>Operating</u>			
Revenues:				
Federal appropriations	\$ 1,793,152	\$ -	\$ 415,107	\$2,208,259
State appropriations	2,137,314	-	80,442	2,217,756
Federal grants and contracts	-	-	133,128	133,128
State grants and contracts	-	-	41,884	41,884
Local grants and contracts	-	-	37,702	37,702
Private gifts, grants and contracts	-	-	48,168	48,168
Other sources	-	643,619	114	643,733
Total revenues	<u>3,930,466</u>	<u>643,619</u>	<u>756,545</u>	<u>5,330,630</u>
Expenditures:				
Public service	3,120,194	-	755,350	3,875,544
Institutional support	719,365	-	706	720,071
Operation and maintenance of plant	46,565	-	-	46,565
Other	-	617,440	489	617,929
Total expenditures	<u>3,886,124</u>	<u>617,440</u>	<u>756,545</u>	<u>5,260,109</u>
Transfers and other additions (deductions):				
Deficit of restricted receipts over transfers to revenue	-	-	(4,473)	(4,473)
Net increase (decrease) in fund balances	<u>\$ 44,342</u>	<u>\$ 26,179</u>	<u>\$ (4,473)</u>	<u>\$ 66,048</u>

See notes to financial statements

MONTANA COOPERATIVE EXTENSION SERVICE

NOTES TO FINANCIAL STATEMENTS

June 30, 1984

1. Summary of significant accounting policies

Related parties:

Montana State University, Montana Agricultural Experiment Station and Montana Cooperative Extension Service are related through common management and control; however, they are separate and distinct agencies and they receive separate federal and state appropriations. These agencies have certain related-party transactions, including sharing office facilities, management, and accounting and office services. The accounts of Montana Agricultural Experiment Station and Montana State University have not been included in the accompanying financial statements.

Financial statements:

The accompanying financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles for colleges and universities except as noted hereafter.

The statement of current funds revenues and expenditures is a statement of financial activities of current funds related to the current reporting period and does not purport to present the results of operations or the net income or loss for the period.

Fund balance for unrestricted general operating funds includes \$9,123 allocated for encumbrances and \$7,193 prior period revenue overage netted to the unfunded liability of \$715,567 for compensated absences payable. Fund balance for restricted current funds includes \$16,557 of unearned revenue netted to the unfunded liability of \$42,054 for compensated absences payable.

Fund accounting:

The accounts of the Service are maintained in accordance with the principles of fund accounting wherein resources are classified for accounting purposes into funds that are identified by the limitations and restrictions placed upon their use. Separate accounts are maintained for each fund, however, accounts with common characteristics are combined into groups and reflected as such in the accompanying financial statements.

Inventory:

Inventory of paper and supplies are valued at cost (first-in, first-out method).

Plant and equipment:

At June 30, 1984, investment in plant was adjusted \$75,784 to reflect the totals in the property control subsidiaries.

NOTES TO FINANCIAL STATEMENTS

June 30, 1984

1. Summary of significant accounting policies (continued)

Depreciation:

No provision has been made for depreciation of plant facilities in accordance with generally accepted accounting principles for colleges and universities.

Allowance for Bad Debts:

An allowance for bad debts has not been recorded. Losses from bad debts are recorded as adjustments to revenue in the year in which they are deemed uncollectable.

2. Investments

Investments are carried at cost, which approximates market value; at June 30, 1984, investments consist of the following:

Montana short-term investment pool	Cost
	\$951
	<u>\$951</u>

Investments at June 30, 1983 are owned by the following fund:

Current funds:

Restricted	\$951
	<u>\$951</u>

3. Retirement plans

All of the Service's full-time employees are members of the Montana Public Employees Retirement System, Montana Teachers Retirement System or the U.S. Civil Service Retirement System. Employer contributions to these plans totaled \$320,946 for the year ended June 30, 1984. The State of Montana retirement plans were determined to be actually sound by the most recent biennial valuations.

4. Commitments and contingencies

Compensated absences payable:

As of December 31 of each year, employees can accumulate vacation leave up to twice the number of leave days earned annually and sick leave can be accumulated without limitation. Upon termination, the employee is paid the accumulated vacation leave and 25% of the accumulated sick leave. Vacation and sick leave payments are recorded as an expenditure at the time they are paid to the employee.

Previous financial reports have disclosed the leave liability only as a footnote. In accordance with generally accepted accounting principles the liability as of June 30, 1984 has been recorded for the first time as a liability of the applicable fund group.

MONTANA COOPERATIVE EXTENSION SERVICE

NOTES TO FINANCIAL STATEMENTS

June 30, 1984

4. Commitments and contingencies (continued)

Leases:

The Service reserves the right to limit the amount of expenditures associated with lease contracts without penalty when in the sole judgment of the Service annual funding or program changes necessitate. Lease agreements for various purposes and time periods, at June 30, 1984, are not deemed to be material to the overall financial position of the Service.

AGENCIES RESPONSE



Montana State University
Bozeman, Montana 59717

Office of the President

Telephone (406) 994-2341

May 21, 1986

Scott A. Seacat
Legislative Auditor
Capitol Building, Room 135
Helena, MT 59620

RECEIVED

MAY 27 1986

MONTANA LEGISLATIVE AUDITOR

Dear Mr. Seacat:

The responses of Montana State University to the audit recommendations made relative to the audit report on the Montana State University, Cooperative Extension Service, and Agricultural Experiment Station financial activity for fiscal years 1983-84 and 1984-85 are submitted herewith. As reflected by the number and magnitude of the audit recommendations, we are continuing in our efforts to operate as efficiently and effectively as possible, while maintaining compliance with the multitude of State and Federal regulations which govern our activities.

The evidence of our sound and responsible financial and business management is contained in the audit report. As we continue to make progress in our business affairs, we are proud to play an active part in assisting and cooperating with the Commissioner's Office and the Board of Regents in resolving the audit issues raised and in improving communications and the relationships between the University System and the Legislature.

Your staff who performed this audit were all of personal and professional quality and our staff was able to work with them in a personable and professional manner. We look forward to meeting with the Audit Committee to discuss the audit report and our responses and any other issues which may be of interest to you.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Bill Tietz'. The signature is written in a cursive, flowing style.
William J. Tietz
President

TG:ds
ia/l

RECOMMENDATION #1:

WE RECOMMEND THE UNIVERSITY REPORT STUDENT FTE IN ACCORDANCE WITH REGENTS' POLICY.

RESPONSE #1:

WE CONCUR WITH THIS RECOMMENDATION. However, we believe that we were correct in our interpretation of the funding formula guidelines which clearly show the Military Science component. However, we have referred this matter to the Office of the Commissioner of Higher Education for evaluation and request a clarification based upon their interpretation.

RECOMMENDATION #2:

WE RECOMMEND THE UNIVERSITY FOLLOW STATE PURCHASING LAWS AND POLICIES.

RESPONSE #2:

WE CONCUR WITH THIS RECOMMENDATION. The Multilith Department of the Cooperative Extension Service (CES) has again submitted a request to the State Department of Administration, requesting delegated purchasing authority up to \$30,000 for the purchase of paper. The granting of that level of purchasing authority will aid in Multilith's efforts to obtain higher quality, lower cost paper in a more timely manner than is currently available through State Central Stores.

RECOMMENDATION #3:

WE RECOMMEND THE UNIVERSITY REQUEST FEDERAL MONIES IN A MANNER WHICH WILL MINIMIZE THE NECESSITY FOR THE STATE TO ADVANCE CASH TO FEDERAL PROGRAMS.

RESPONSE #3:

WE CONCUR WITH THIS RECOMMENDATION. At the time this matter was first brought to our attention, the Federal funds were being ordered the first of each month on a reimbursement basis. The payroll which occurs on the eleventh of each month constitutes the great majority of Federal funds ordered on a monthly basis. Thus, in June 1985, a directive was issued which changed the order date for Federal funds to the fifteenth of each month, after the main monthly payroll.

RECOMMENDATION #4:

WE RECOMMEND THAT THE UNIVERSITY ESTABLISH PROCEDURES TO FORECAST CASH NEEDS TO ENSURE POSITIVE CASH BALANCES ARE MAINTAINED IN COMPLIANCE WITH STATE LAWS.

RESPONSE #4:

WE CONCUR WITH THIS RECOMMENDATION. This is an issue of conflicting State Statutes which is being addressed by the State Department of Administration.

RECOMMENDATION #5:

WE RECOMMEND THE UNIVERSITY:

- A. ACCRUE EXPENDITURES IN ACCORDANCE WITH STATE ACCOUNTING POLICIES.
- B. CORRECT INVALID EXPENDITURE ACCRUALS.

RESPONSE #5:

WE CONCUR WITH THIS RECOMMENDATION. We make every reasonable effort to fully comply with State accounting policies which relate to expenditure accruals. The invalid expenditure accruals will be corrected prior to this fiscal year end.

RECOMMENDATION #6:

WE RECOMMEND THE UNIVERSITY DEPOSIT RECEIPTS ON A TIMELY BASIS IN ACCORDANCE WITH STATE LAW.

RESPONSE #6:

WE CONCUR WITH THIS RECOMMENDATION. The CES administration will work directly with the department involved to ensure proper and more timely deposits of receipts.

RECOMMENDATION #7:

WE RECOMMEND THE UNIVERSITY:

- A. IMPROVE CONTROLS TO ENSURE ALL ITEMS DISPOSED OF AND ALL INVENTORIES ARE DELETED FROM ITS PROPERTY RECORDS.
- B. ENSURE ALL STATE EQUIPMENT ITEMS ARE TAGGED AS STATE PROPERTY.

RESPONSE #7:

WE CONCUR WITH THIS RECOMMENDATION. We are taking every action possible within our limited resources to ensure the accuracy of the property listing. We are also continuing in our efforts to identify and tag State property which was not properly tagged in years past.



THE MONTANA UNIVERSITY SYSTEM

33 SOUTH LAST CHANCE GULCH
HELENA, MONTANA 59620-2602
(406) 444-6570

COMMISSIONER OF HIGHER EDUCATION

RECEIVED

MAY 27 1986

MONTANA LEGISLATIVE AUDITOR

May 23, 1986

Scott A. Seacat
Legislative Auditor
Room 135, State Capitol
Helena, Montana 59620

Dear Mr. Seacat,

The response for the Montana State University audit is attached. I appreciate the opportunity that you provide for my staff to participate in all entrance and exit conferences.

Sincerely,

A handwritten signature in cursive script, reading "Carol Krause".

Carrol Krause
Commissioner of Higher Education

CK/JHN/11t

Attachment

RECOMMENDATION #1

We recommend the University report student FTE in accordance with Regents policy.

Agency Response:

Concur.

We will review the reporting criteria for restricted credit hours as they would pertain to military science programs and revise our practice if necessary.

A few additional facts are relevant to the auditor's finding.

1. The study that established the funding formula for higher education in 1981 included military science in the unrestricted portion of the formula (see page 39 of the Final Report).
2. While the salaries of the faculty are paid directly by the military, the state must pick up the other program costs and provide the facilities. The student must pay the tuition costs for the enrolled credit hours and the tuition revenue is deposited in the unrestricted funds as general fund offset. If we are going to treat the student credit hour production as restricted, the tuitions collected must also be segregated into the restricted account.

